

# VASBO Testimony – Statewide Health Care Benefit

## March 28, 2018

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We thank you for the opportunity to share our views on a statewide health care benefit. The Vermont Association of School Business Officials (VASBO) shared our thoughts with the VT Education Health Benefits Commission last October; attached is position.

VASBO believes a statewide health benefit plan will provide substantial cost savings. VEHI, established decades ago, had provided and continues to provide school districts with quality health plans at rates and prices not available in the general market. The new VEHI plans, designed to meet Affordable Care Act regulations and structured to be comparable to the VT Exchange Plans now expand the variables associated with health care benefits – to name a few:

- 4 plans: Platinum, Gold, Gold CDHP, Silver CDHP
- 4 tiers: single, 2 person, parent child(ren) and family
- 16 Health insurance premium costs
  - Premium costs shares by bargaining unit, by plan and tier
- Employer/school district cost contributions
  - To premiums
  - To Health Reimbursement Accounts
  - To Health Savings Accounts
- Employee options
  - Flexible Spending Accounts
  - Health Savings Accounts

VASBO highlighted 4 reasons we support statewide health care benefits

1. **Employee equity and the morality of health care** –all school employees’ lives and dependents’ lives are of equal value and importance and their access to care should not be limited or extended by their contract; all employees should have the same access and benefit.
2. **Efficiency** – we believe a few experts, steeped in the knowledge of health insurance, claims data, and HRA/HSA/FSA options will provide the best opportunity to change the health care paradigm and produce meaningful long term health care savings.
3. **Cost Savings – tangible dollars** - we believe we could realize significant cost savings in legal fees, mediation costs, and fact finding costs by eliminating the need to negotiate health care.
4. **Political divisiveness** – we recognize the countless hours all parties invest in learning, preparing for, and negotiating all the complexities related to health care benefits. These complexities have led to misinformation, misunderstandings, anxiety and mistrust.

Finally, we believe the state has the capacity, through VEHI, to design and manage a statewide health care benefit for all school employees.

As the business manager for Rutland Northeast Supervisory Union I think the current rollout of the new plans, the failure of Future Planning Associates and the results of locally negotiated health care plans align to establishing the best time to move to a statewide health care benefit. I recognize and respect Vermont is proud of our schools, our communities, and our mutual (board, staff, and tax payers) commitment to providing the best for our students; one reason for this success may be local negotiations. However based on recent settlements, I don't believe eliminating health care negotiations from the local bargaining table will drastically alter this commitment to our schools and/or the health benefits to our employees.

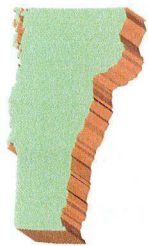
Throughout last fiscal year and continuing into the current fiscal year almost every school contract, for all bargaining units, were either under negotiations, at impasse, at mediation and/or at fact finding. I believe all but 1 has settled. The conclusions of these settlements are remarkably similar for health care. Out of 60 recent settlements, 56 district (93%) linked premium contribution shares to the Gold CDHP plan with employee contribution ranging between 12 and 20% and an average of 17.6%. Most boards' also limited employees' exposure (in addition to premium shares) for out of pocket cost through HRA or HSA contributions, to an average of \$330/single plan. While I cannot predict the future, I wonder when the opportunity to "reset" health care benefits, with minimal employee impact, would happen again?

Sincerely,

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# VERMONT ASSOCIATION OF SCHOOL BUSINESS OFFICIALS

SERVING EDUCATION THROUGH SOUND BUSINESS PRACTICE

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October 17, 2017

## VT Education Health Benefits Commission

The Vermont Association of the School Business Officials (VASBO) has convened a cost containment committee charged with reviewing, evaluating and recommending cost containment strategies to share with stakeholders and the legislature by January 2018. We are just beginning our work but health care benefit cost will be an identified strategy and therefore we wanted to share our initial thoughts with the Commission.

We understand the Vermont Education Health Benefits Commission was created 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.

We believe a statewide health benefit plan will provide substantial cost savings. Decades ago, educational leaders and stakeholders recognized that health care benefits lends itself to a universal statewide level program and Vermont Education Health Initiative (VEHI) was created; as health benefit costs were, and continue to be, the largest outlay of employee related compensation expenditures, second only to salaries. Now however, unlike then, while the state school districts use the same set of health plans, the number of variables associated with those plans and the cost impact of those variables has changed drastically. Currently there are 142 districts each with a minimum of two or more employee groups and at least one union contract all negotiating independently for different benefits and different contract lengths, compounded by four different plans with four tiers of coverage and an infinite variety of health savings or health reimbursement account options. The complexity and variety of potential outcomes is enormous. Therefore, we believe health benefits should be negotiated statewide for the following reasons.

**Employee equity and the morality of health care benefits:** We believe all school employees should have access to the same health care benefits. All school employees' lives and dependents' lives are of equal value and importance and their access to care should not depend on 1 of 142 different negotiated agreements.

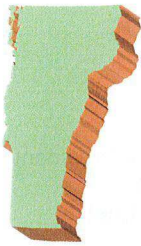
**Efficiency:** We believe both school boards and labor unions would benefit from negotiations between a few experts steeped in the knowledge of health insurance, claims data, usage and health savings and reimbursement account options. The current approach relies on negotiations between parties with varying degrees of knowledge and expertise in this arena. The best opportunity to change the health care paradigm and produce meaningful and long term health care benefit savings is for a small group of experts in the field to bargain toward this end. It would benefit teachers, schools, and taxpayers.

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**Cost Savings – tangible dollars:** We believe we could realize significant cost savings in legal fees, mediation costs, and fact finding costs when one statewide contract is negotiated. Legal fees can vary but rise significantly if a contract cannot be settled through negotiations. Legal fees can easily cost tens of thousands of dollars per negotiation (per bargaining unit, per district). In addition to legal fees, mediation fees cost on average \$5,000 per event and must be attempted before fact finding, and may happen again after fact finding, and again after imposition before impending strike. The average fact finding cost are also about \$5,000. Consider all of this per district, per bargaining unit, per term; when a district negotiates a 1 year contract or imposes a contract these cost become an annual cost. A statewide approach would dramatically reduce the likelihood of incurring these costs.

**Political divisiveness:** We recognize board members, administrators and union negotiators spend countless hours learning about, preparing for, and negotiating health care benefits. It is a complex subject that requires a great deal of time and effort to understand, much less master. This complexity often leads to anxiety, mistrust, and a strained negotiations process. This divisiveness filters throughout the educational system, ultimately impacting student learning. We believe a statewide health care benefit plan would mitigate this strain.

Finally, we believe the state has the capability to design a process for a statewide health care benefit plan as evidenced by the success of the statewide Teacher Retirement Systems. This system provides robust benefits to employees without adversely influencing the climate within schools. It can serve as a model for a statewide approach that results in equal access to health care benefits, saves money, improves the instructional climate, and above all, allows both parties to focus on their core mission: student learning. Furthermore, due to the common basic platform of the VEHI plans, that all school district share, health care is well poised for negotiations at the statewide level.

Thank you for your consideration

Sincerely,

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