

BARRE SUPERVISORY UNION DISTRICT #61

Barre City Elementary & Middle School / Barre Town Middle & Elementary School / Spaulding High School / Central Vermont Career Center

John Pandolfo
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***Doing whatever it takes to ensure
success for every child.***

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To: The Senate Education Committee
From: John Pandolfo, Superintendent, Barre Supervisory Union
Date: April 27, 2018
Re: Vermont Education Health Benefits Testimony

Thank you for hearing my testimony. I previously testified to this committee on Act 46 spending thresholds in early 2016 and again at U-32 Middle/High School on Act 46 progress in the Fall of 2016.

I sat on the Vermont Education Health Benefits Commission as the designee of the Vermont Superintendent's Association Executive Director Jeff Francis. This happened because I asked Mr. Francis a lot of questions and expressed concern about Act 85 when it first came out, as I was trying to understand the impact of the legislation on my supervisory union. I was concerned about both the "recapture", and as well as the impact of Act 85 on the prolonged contract negotiations we were involved in at the time. In June 2017 we were at impasse in our teacher master agreement negotiations, and approaching impasse in our para-educator master agreement negotiations, with both of these negotiations supported by VT-NEA. Additionally, we were in the middle of a third negotiation with AFSCME for our custodial/maintenance staff. In the course of these discussions with Jeff regarding the impact of Act 85 I expressed interest in serving on the commission.

In my three years as the Superintendent of Barre I have participated in the negotiation of six master agreements. In my previous role as a teacher and VT-NEA member I was a lead negotiator in two separate bargaining rounds in Washington Central SU, a negotiating team member in Barre when we went on strike in 2005, and additionally I served as a chair of the Central Vermont Regional Bargaining Council for VT-NEA for two years. I understand bargaining from both sides of the table, and am one of those people who really likes bargaining. I

appreciate the role of communication, trust, and respect in the process, and I also love to run numbers because I believe good data is the key to positive communication. With that said I also understand the more nuanced sides of negotiations as well.

As a commission member, I voted in support of the majority recommendation for establishing a statewide health benefit negotiation. I did this because it is apparent to me that the advantages of establishing a statewide health benefit negotiation far outweigh any disadvantages.

- One significant advantage of establishing a statewide benefit negotiation, as identified by the commission, is that a statewide benefit would provide equity and consistency in the cost of health coverage to employees, employers, and taxpayers. In October of 2017, I presented an analysis to the commission on the disparities and inconsistencies in health insurance settlements up to that point in time. I can provide the details of that analysis if the committee is interested, but felt it more expedient to provide the following summary points:
 - Settlements to date show premium contributions for employees ranging mostly from 12% to 20% of premium, with some outliers as low as 0% and as high as 36.5%. Most settlements have premium contributions pegged to the most common plan option (Gold CDHP), while others are pegged to any of the four plan options available, adding even more inconsistency. **Less than 50% of settlements reached the legislative target of 20% employee premium contribution set by Act 85; while it should be noted some of these were settled in advance of the legislation that point is irrelevant in terms of where we stand right now.**
 - Out of Pocket (OOP) employee contributions range from 0% to 24% of the OOP maximums for these plan options. **Only a handful of settlements reached the legislative targets established by Act 85 of \$400 (single tier), \$800 (two person or parent/children tier), and \$1,200 (family tier).**
 - I had data to compare FY2017 costs to FY2018 costs for 40 of 69 teacher settlements. In 39 of those 40 settlements, employees saved money in FY2018 compared to FY2017. In 15 of the 16 support staff settlements for which I had data, employees saved money in FY2018 compared to FY2017. My analysis showed some employees saving as much as \$3,291 in FY2018 over FY2017. Others might “lose” as much as \$88, assuming they had to spend their full OOP maximum. **As a group, employees clearly benefited from separately negotiated settlements. If you believe that education employees have arguably some of the best health benefits out there, then the disparity in health care costs between education employees and the rest of the population increased from FY2017 to FY2018.**
- Another significant advantage of establishing a statewide benefit negotiation, as identified by the commission, is that a statewide arrangement could provide a health benefit to all education employees in Vermont. Currently there are employees in education systems who do not have any access to health benefits, and there are other employees who only have access only to single tier coverage **All members of the**

commission agreed that anything which brought us in the direction of universal coverage was a plus.

- A third significant advantage of establishing a statewide benefit negotiation, as identified by the commission, is that a statewide benefit would increase the predictability of health care rate setting year to year by reducing the volatility that exists today due to inconsistent district-level negotiation outcomes. **The upcoming 10% increase in VEHI rates is at least partially attributable to disparities in local settlements.**
- Given the current crisis created by the failure of Future Planning Associates to successfully manage the transition of dozens of districts to dozens of different Out-Of-Pocket cost sharing arrangements, a fourth significant advantage of establishing a consistent statewide benefit negotiation would be an increased likelihood of avoiding crises like these. **Managing fewer cost sharing arrangements for larger pools of members would certainly be easier for contracted Third Party Administrators.**

The disadvantages of establishing a statewide health benefit negotiation, as discussed by the commission, are in my opinion either short term, or what I would characterize as perception.

- One disadvantage discussed by the commission involves the complexity of transition issues. A large scale statewide effort should be better able to manage transition issues than the many small scale efforts we just experienced in each districts transition to the new VEHI plans. **It is important to note that the issues that have arisen over the past few months are not VEHI issues, they are Future Planning Associates issues coupled with some timing issues from delayed negotiation settlements. VEHI transitioned tens of thousands of members over to new plans with minimal issues, and VEHI customers who did not choose to contract with Future Planning are doing fine.**
- A second disadvantage discussed by the commission is a perception that establishing a statewide health benefit negotiation would result in a loss of local control, would be an insult to school boards and organized labor, and that the negotiation of the health care benefit at the local level is somehow sacred. This is simply an argument without any support in facts and data. Retirement benefits for teachers are not negotiated at the local level. Fair share agency fees are no longer negotiated at the local level. Health benefits for active employees are no more sacred than those items. I believe we need to recognize the situation for what it is, and acknowledge that the issue comes down to a balance of power, which translates to dollars and cents. The data shows that organized labor has benefited from a localized approach to negotiating health benefits. **As pointed out above, employees clearly benefited from separately negotiated settlements from FY2017 to FY2018, and therefore the disparity between the cost of health care of education employees and those who fund it has clearly increased. This means the intent of Act 85 was not achieved as fully as it could have or should have been.**

A statewide health benefit construct will require two critical elements to be successful:

1. A process to support fair negotiations, with equity of representation from all stakeholders, timeline, and dispute resolution clearly defined.

2. Administration and fiduciary integrity of the health benefit plan by a competent entity with established experience and expertise in the work. VEHI has proven for two decades they can successfully provide a health benefit to tens of thousands of education employees and their family members across the state. Future Planning Associates said over and over that it could handle the task at hand, but it took on more than it had the capacity and experience base to successfully implement. I think the consideration of establishing a new entity to design and administer health care plans is unnecessary and not in the best interest of Vermont taxpayers, Vermont education employees, or Vermont schools and students. That was not the charge or intent of Act 85. That was not the recommendation of the Vermont Education Health Benefits Commission established by Act 85. That is a much more significant undertaking than negotiating cost sharing at the state level. There is no viable data to support dissolving an established entity with two decades success delivering health care and starting an entirely new entity with no expertise in the arena to try to do the same thing.

Given the points I have raised above, and the emphasis the legislature has placed on the need to make significant change to how we address the cost of education, I believe that the legislature should give serious consideration to establishing a statewide health benefit negotiation structure.

Thank You!

John Pandolfo