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To: Senate Education Committee
From: Nicole L. Mace, Executive Director
Re: Draft 2.1
Date: April 27, 2018

Act 85 of 2017 created the Vermont Educational Health Benefits Commission 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. VSBA was a member of the Commission. The Commission recommended we move forward with a statewide benefit, to be negotiated by representatives of the parties. The Commission also identified a range of issues that any piece of legislation on statewide bargaining should address:

- *Representation* – who will represent school boards and employees at the bargaining table and how will representation of the parties be decided
- *Timing* – how will state negotiations commence and conclude in a manner that does not impede progress at the local level
- *Impasse Procedures* – if the parties to state negotiations cannot come to agreement, what impasse procedures will be employed
- *Incorporation* – how will state provisions be incorporated into local agreements
- *Ratification* – how will state provisions be ratified

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Act 85 also mandated that health care provisions of collective bargaining agreements must expire between June and September of 2019.

Recognizing that this conversation would likely be revisited this legislative session, the VSBA membership adopted the following resolution in October at the organization's annual meeting:

In order to ensure equity and sustainability in the health care benefits available to all school employees, the General Assembly should adopt a

process for the negotiation of health care benefits at the state level by a council of school board members to apply to contracts that expire in 2019.

When the Vermont-NEA announced its proposal to move to a statewide health insurance benefit two weeks ago, I immediately sent the Vermont-NEA a list of questions that needed to be resolved in order for the VSBA to evaluate its support for their proposal. I believe many of these same questions apply to the language you are considering. They include:

Future of VEHI

1. If VEHI is dissolved, where do existing VEHI reserves go? Can a new entity be established without these reserves?
2. What regulatory status does this commission have?
3. What regulatory oversight will DFR have over the commission?
4. Will the commission act as a stand-alone trust, an advisory board or administrative board?
5. Will it bear any risk for miscalculating premiums? Will the state take on risk?

Functioning of the Commission

1. Why would the unions have the authority to select employee representatives and the Governor select representatives for school district interests? School districts should select their own representatives.
2. What protections are in place to ensure this body makes decisions in a “timely” manner? What is the definition of timely?

Transitioning to a Single Benefit for All School Employees

1. Given the current state of different levels of coverage for employees in different districts and bargaining units, how does this proposal envision cost savings if all school employees are transitioned to a single benefit? It is not clear how the transition provisions translate into costs. Will there be a fiscal note?
2. Does the NEA envision that the new single plan would be similar to the Gold CDHP (90% of subscribers are currently enrolled) or

something different? If the plan design would be richer than the Gold CDHP what are the cost implications of that?

The VSBA supported a transition to a state-negotiated health benefit during the previous legislative session due to the complexity of negotiating new plan designs, the opportunity to provide high quality coverage to employees and deliver taxpayer relief, and the desire to address inequities between districts and different classes of employees.

In Vermont, there is variety in total compensation provided to educators, depending on the region of the state, the socioeconomic makeup of a community, and whether an individual is under a teacher contract or a support staff contract. We believe a framework for negotiating health benefits at the state level would provide a pathway to creating a more equitable and sustainable benefit over time. I developed a framework for how that negotiation process could work for consideration by the Act 85 Commission.

The framework addresses the issues identified by the Commission as important to resolve in legislation. Again they are:

- *Representation*
- *Timing*
- *Impasse Procedures*
- *Incorporation*
- *Ratification*

Draft 2.1 currently under consideration by the committee addresses some of these issues, but not within the context of collective bargaining.

The General Assembly received the report of the Health Benefits Commission in December of 2017, which recommended the transition to a statewide benefit. We have serious concerns that this discussion is unfolding in the final weeks of the session without ample time for analysis. This proposal seeks to do two significant things without sufficient vetting and analysis. First, it seeks to dismantle a health insurance trust that has served school districts and employees well for over twenty years.

The issues associated with the transition to new health plans are not attributable to actions taken by VEHI; they are attributable to collective bargaining dynamics – timing of settlements, variability of HRA plan designs, and the inability of any third party administrator to manage that variability.

Second, this proposal seeks to expand health insurance coverage and increase the benefits available to thousands of school district employees, without any fiscal analysis.

Finally, we have significant concerns about combining the entity responsible for designing and administering health plans and bearing the risk for the decisions it makes with the entity responsible for establishing the cost exposure for employers and employees.

I encourage the Committee to hear from health insurance experts and regulators on the role of a risk-bearing entity versus an entity tasked with determining how the costs of health insurance will be allocated between employers and employees. Our position is that the entity tasked with establishing cost share should be separate from the insurance trust.