



STATE OF VERMONT

MEMORANDUM

To: Representative Tom Stevens, Chair
Representative Lisa Hango
House Committee on General, Housing, and Military Affairs

From: Joyce Manchester, Joint Fiscal Office

Date: February 2, 2021

Subject: Possible Changes to the Premium Share Paid by Staff (Non-Teachers) as Part of Statewide Collective Bargaining for Public School Employee Health Benefits

Summary

You asked that the Joint Fiscal Office look at the cost associated with moving away from the currently determined share of health benefit premiums to be paid by public school staff (non-teachers, non-administrators). According to the current collective bargaining agreement (CBA), all personnel will pay 20 percent of the total health benefit premium beginning January 1, 2023. Employers will pay the remaining 80 percent. Personnel who pay a share different from 20 percent in 2021 will see their shares move closer to 20 percent by 2 percentage points beginning January 1, 2022. All contracts will then move to an employee share of 20 percent on January 1, 2023. Based on older data available to us, our preliminary analysis suggests that each 1 percentage point change in the staff employee share would lead to a shift of \$1.4 million between staff and employers.

Analysis

One proposal under discussion would allow public school staff, who are not licensed teachers or licensed administrators, to bargain for a different premium share in the upcoming round of negotiations. As of January 1, 2019, the median and mean share of premiums paid by year-round support staff was 15 percent.¹ The median and mean share of premiums paid by school-year support staff was 16 percent. Those shares may be different today. As noted, the current CBA would require those employee shares to rise to 20 percent as of January 1, 2023.

To estimate total premium costs, JFO used VEHI FY 2022 Approved Health Rates increased by projected health cost growth together with the number of active public

¹ Available at <http://vthealthbargainingteam.org/>

contracts in VEHI Health Benefits in various plans and tiers as of November 2019.² JFO estimates that total premiums in FY2024 will be roughly \$274 million. That number will change based on actual health plan choices by school personnel and actual health costs. Staff represent about half of the total number of contracts, and JFO assumed that their choice of health plans and tiers would reflect that of non-staff personnel.

Under the current CBA, the share paid by staff will be 20 percent in 2023. Based on the assumptions and older data noted above, a change of 1 percentage point in the premium share paid by staff (non-teachers, non-administrators) would shift about \$1.4 million between staff and employers so that the total premiums stayed the same (see Table below). Reducing the premium share paid by staff statewide from 20 percent to 19 percent, for example, would reduce payments by staff \$1.4 million but would require employers to pay an additional \$1.4 million.

If the share paid by staff dropped 5 percentage points from 20 percent to 15 percent, staff would pay about \$6.9 million less but employers would pay about \$6.9 million more.

JFO Rough Estimate: Change in the Premium Share of Public School Staff			
Using VEHI FY 2022 Approved Health Rates inflated to FY 2024 and November 2019 Contracts			
Total Premium Cost		\$274	million
If Staff comprise Half of Contracts			
Staff Premium Cost		\$137.00	million
1 Percent of Staff Premium Cost		\$1.37	million
5 Percent of Staff Premium Cost		\$6.85	million

Notes of caution: JFO used data from November 2019 for the number of contracts in the four plan types (Platinum, Gold, Gold CDHP, and Silver CDHP) and four plan tiers (Single, Self + Spouse, Self + Child(ren), and Family). Those data would look different today and going forward in several areas: the total number of contracts; the split among teachers, administrators and staff; the split among plan types; and the split among plan tiers. Several important factors explain why the numbers would be different. First, changes have occurred in the number of public school employees and their choice of health plans. Second, as of January 1, 2021, all staff may choose family plans; some had been limited to single plans previously. Third, changes in the eligibility criteria for part-time workers will offer more staff the opportunity to obtain VEHI Health Benefits.

² VEHI FY 2022 Approved Health Rates are available at https://vehi.org/client_media/files/VEHI%20FY%202022%20Health%20Rates%20Approved%20Announcement%20Jan%202021.pdf; projected growth in National Health Expenditures is 5.4 percent per year on average through 2028, <https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/NHE-Fact-Sheet>