Vermont Employer Healthcare Commissioners

"The cost of healthcare benefits must be affordable for everyone."

TO: House Education Committee

FROM: Mark Koenig, Chair of the Employer Commissioners, Commission on Public School Employee Health Benefits
Joe McNeil, Esq., Chief Negotiator for the Employer Commissioners

RE: Health Care Benefits of Public School Employees

DATE: January 4, 2024

Thank you for the invitation to testify on the factors influencing negotiations for public school employee health benefits. I am Mark Koenig, a member of the Commission on Public School Employee Health Benefits and Chair of the Employer Commissioners, and with me today via Zoom is Attorney Joe McNeil, Chief Negotiator for the Employer Commissioners.

Following up on Sue Ceglowski's explanation of the process as currently outlined in 16 V.S.A. §§ 2101-2108, Joe and I hope to provide information about how that process has played out over the first two rounds of negotiations, the factors that have contributed to the results of those negotiations, some concerns we have regarding the process as set out in statute, and some proposed revisions to this process which can result in better adherence to the original purpose of this statute. Aside from the technical process, we will also speak to our concerns surrounding the skyrocketing costs of healthcare.

Results of First Two Rounds of Statewide Bargaining

Ultimately, the first two rounds of statewide bargaining for public school employee health benefits resulted in richer benefits afforded to public school employees with the brunt of the increased costs being borne by taxpayers.

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In the initial filing for the new health plans that went into effect on January 1, 2018, the filing memo referenced the actuarial values of those plans as ranging between 74.4 and 88.4%. Since that time, the plans have increased in value and now reflect actuary values of between 83.6 and 93.1%. A plan is considered “platinum” when it has an actuary value of 90%. The initial memo also assumed HRA funding of either 50 or 75%. However, HRA funding currently runs between 76% and 80% for licensed employees and 88% for non-licensed employees. This level of HRA funding combined with the plan design means the health plans provided to public school employees by VEHI have actuary values of between 92 and 98%. In short, public school employees are responsible for between 2 and 8% of their claim costs with the lion’s share of the balance paid for by the taxpayers.

The first two rounds of bargaining for the Commission on Public School Employee Benefits suggest we are stuck with a flawed system. The equal split of Employee and Employer Commissioners creates a built-in stalemate that limits the ability for any creative discussion on the single most alarming issue facing healthcare: the dramatic increase in overall healthcare costs.

Before we even start the third round of negotiations, one can easily predict the result. Meetings will be held at the appointed times. The two sides will be unable to reach an agreement and the process will move on to the Fact-finding stage. After reading the Fact-finder’s report, both sides will caucus separately and then submit two “last best offers” to an Arbitration Panel which is required by statute to select one of the two proposals resulting in a “winner takes all” award which will be handed down by December 15th.

The structure of the Commission needs to be reexamined with a goal to create an engaged group that includes other stakeholders who have an interest in the outcome of these negotiations who will work shoulder-to-shoulder on providing sustainable, high quality healthcare coverage and overall wellness for our public school employees at a cost affordable to our tax-paying public. Until we take this step, the Commission is doing nothing more than a misdirected exercise in mathematics on who pays what amount.

One possible reform would be to allow an arbitration panel to create its award based on mixing and matching the two proposals presented to it as well as introducing any original thoughts the panel finds reasonable based on the evidence presented in the Fact-finder’s report and during the arbitration hearings. The current “winner takes all” model impedes either side from proposing meaningful changes for fear of losing everything.

Another possible reform would be to alter the composition of the Commission to include more neutral voices, especially those with experience in healthcare. Currently, the Legislature has delegated authority to the VSBA and the VT-NEA to select commissioners, but there is no reason why the Legislature could not add other organizations to the mix. For example, I am aware of an idea to have the Department of Financial Regulation appoint one person who would serve as the chair of the Commission. By diluting the power of the employers and the employees, a more collective process might be achieved resulting in a collaborative agreement rather than an arbitration award.

The addition of neutral members to the Commission creates an incentive for the employer and employee commissioners to actually engage in meaningful deliberations. Our work could even extend beyond the scheduled contract negotiations to address other concerns with our current public education healthcare system.

Two current issues come to mind. One deals with the term of the annual coverage of healthcare benefits. Each school district establishes its own definition of the 12 month coverage period. Some districts use their fiscal year which runs from July 1 to June 30. Others use an academic year that covers September to August.

As long as a teacher stays within the same district everything is fine. However, when they change jobs and move to another district, there can be problems. If the current district follows the July to June model and the new district follows the September to August model, the teacher faces two months without coverage. This creates administrative challenges to both school districts and unnecessary stress for the teacher. The creation of a statewide definition of the annual term of coverage would eliminate this issue.

A second issue regards the third-party administrators who handle coverage claims. Once again, each district operates independent of other districts when selecting its third-party administrator, resulting in district-to-district inequities and disparate levels of satisfaction. A single, statewide third-party administrator could provide an equitable level of service and be monitored more easily.

Reforming the structure of the Commission, however, is not our most pressing issue. We must expand the Commission’s focus to include a collective response to the unsustainable growth in healthcare costs since it was launched in 2018. While Commissioners quibble over who pays what share of premiums, the real threat to healthcare goes unchecked.

Rising Costs of Public School Employee Health Benefits

Since the creation of the Commission, premiums for our most popular healthcare plan, the Family Gold CDHP, have increased by 110%. During that same period the Consumer Price Index has risen by only 35%. The skyrocketing cost of healthcare benefits is unstainable.

Let's put this at a basic level we can all understand. The total annual premium cost of the Family Gold CDHP in FY18 was $17,394. In the following years, premiums have increased at an average annual rate of 11.2%. In FY25, the premiums for this same healthcare plan will cost $36,548. At the current level of growth, the Family Gold CDHP in FY30 will rise to $62,142 – a 257% increase in just 12 years. FY31's premium will be just shy of $70,000. Please note that these numbers do not include HRAs, HSAs, or out-of-pocket payments for healthcare service. When those amounts are added in, obviously the cost only goes higher.

Out-of-control healthcare costs present an existential danger both to public education and our state as a whole. While we are not healthcare experts, our experience suggests that as a state we need to broaden our focus. This is not just a public education problem; all Vermonters face the challenge of dramatically increasing healthcare costs. Having employers pay a higher share of premiums and out-of-pocket expenses is not a realistic solution and, at best, results in stagnant wages to offset the rising cost of benefits. At worst, we are looking at either diminishing the quality of those benefits or diminishing the quality of education we can provide to Vermont's children.

Thank you.

Gold CDHP Family Plan Premiums - Total Cost

	Annual Premiums					
Fiscal Year (FY)	Monthly Rate	% Growth Annual	% Growth Cumulative	Total Annual Cost	Annual Premium Increase	Cumulative Premium Increase
FY18 Approved	$1,449.51	NA	NA	$17,394.12	NA	NA
FY19 Approved	$1,595.82	10.1%	10.1%	$19,149.84	$1,755.72	$1,755.72
FY20 Approved	$1,783.50	11.8%	10.9%	$21,402.00	$2,252.16	$4,007.88
FY21 Approved	$2,012.69	12.9%	11.6%	$24,152.28	$2,750.28	$6,758.16
FY22 Approved	$2,205.83	9.6%	11.1%	$26,469.96	$2,317.68	$9,075.84
FY23 Approved	$2,320.66	5.2%	9.9%	$27,847.92	$1,377.96	$10,453.80
FY24 Approved	$2,616.09	12.7%	10.3%	$31,393.08	$3,545.16	$13,998.96
FY25 Proposed	$3,045.65	16.4%	11.2%	$36,547.80	$5,154.72	$19,153.68
FY30 Estimated						
FY26-30 @ 11.2%	$5,178.50	11.2%	11.2%	$62,142.00	NA	$44,747.88
FY26-30 @ 10%	$4,905.05	10.0%	10.7%	$58,860.60	NA	$41,466.48
FY26-30 @ 8%	$4,475.06	8%	9.9%	$53,700.72	NA	$36,306.60