

The Cost of Health Care Benefits Impacts the Cost of Education in Vermont

Why This Matters

- Health care benefits for public school employees is approaching **\$400 million annually**
- One of the **fastest-growing drivers** of education spending and property taxes
- Cost growth far exceeds:
 - Student enrollment trends
 - Inflation
 - State revenue growth

Recent and Projected Cost Increases

- **FY25:** +16% increase
- **FY26:** +12% increase
- **FY27:** +7.3% increase (projected)
- Share of school budgets:
 - Pre-2018: **<10%**
 - Today: **~15%**
 - Near future (at current trends): **~20%**

Health Insurance Premium Growth

VEHI Family Gold CDHP (most common plan):

- FY18: **\$17,394**
- FY25: **\$36,548**
- FY26 (current): **\$40,909**
- FY27 (projected): **\$43,920**
- **125% increase in 8 years**
- CPI increase over same period: **32%**
- Costs largely borne by **taxpayers**

Health Reimbursement Arrangements (HRAs)

- Fully funded by school districts
- Employees make **no contribution**
- Provide **first-dollar coverage**
- Often employees pay no out-of-pocket costs
- **\$33+ million** in HRA payments statewide in 2023 (Gold CDHP)
- In 2023, 200+ non-licensed employees on single plans:
 - Paid **\$0 out-of-pocket**
 - Claims ranged from **\$3,800–\$46,000**

Impact on School Budgets

- Health care costs are an increasing part of district budgets
- Rising benefit costs reduce flexibility for school boards
- Funds are directed away from:
 - Classroom instruction
 - Staffing stability
 - Mental health and student supports
 - Facilities maintenance and improvements

Statewide Bargaining Structure

- Established in **2018** for school employee health benefits
- Both arbitration awards have increased benefit levels
- Majority of new costs absorbed by taxpayers
- **Winner-take-all arbitration** limits balanced solutions
- Gold CDHP + HRAs:
 - Most advantageous for school employees (e.g., no member deductible)
 - Most expensive for school districts

Policy Considerations for Legislators

- Cap total value of health benefits (phased implementation)
- Establish a **single statewide HRA administrator**
 - Current fragmented system costs ~\$500,000 annually
- Revise Commission on Public School Employees Health Benefits
 - Add neutral or independent members
- Expand arbitration criteria to include:
 - Comparability to Vermont Health Connect plans
 - Impact on education spending vs. state economic growth
- Allow **blended arbitration awards**

Key Takeaway

- Health care benefits are **no longer a marginal cost**. They are a **primary driver** of education spending growth and property tax pressure
- Sustainable education reform **must address health benefit structure and growth** to protect students and taxpayers alike