



TO: Senate Education Committee

FROM: Sue Ceglowski, Executive Director, Vermont School Boards Association

RE: Draft 10.1 of H.480 (Public School Employee Health Benefits)

DATE: May 6, 2025

Good afternoon. My name is Sue Ceglowski. I'm the Executive Director for the Vermont School Boards Association (VSBA), and I appreciate the chance to speak with you today.

I'm here to talk about how Vermont handles health insurance for public school employees—and why we believe that system needs some changes.

Health insurance is expensive. Right now, the cost of providing health benefits to school employees is taking up more and more of school budgets. And when that happens, it leaves less money for other important things—like literacy, mental health supports, arts programs, or even building repairs.

School boards want to take care of staff with great benefits, and they also have to make sure there's enough funding for students and learning.

That's why we're asking lawmakers to look at the way Vermont bargains for school employee health insurance at the state level. The next round of this process starts in spring 2026, and it will set the rules for benefits through at least 2030. If we want to make real improvements, the Legislature should act now.

The current system hasn't helped slow down rising costs. For example, employees don't pay anything toward deductibles because of a statewide bargained benefit that puts a special account, an HRA (Health Reimbursement Arrangement), on top of their regular plan. That raises the price of the plans—and taxpayers pick up most of the tab.

Actuaries at Blue Cross/Blue Shield of Vermont are involved in setting the premiums for the plans. They factor in the first dollar HRA and a term called "induced utilization" when setting those rates. The proposal then goes to the Department of Financial Regulation which has its own actuaries who also take "induced utilization" into consideration when approving the rates.

It's all based on an approved actuarial factor developed by the Federal Department of Health and Human Services that the actuaries use to calculate this rate.

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### How the Process Works

Before 2018, each school district made its own deals about employee health insurance. In 2018 lawmakers moved it to a statewide process and created a group called the Commission on Public School Employee Health Benefits.

The Commission has 10 members:

- 5 represent school boards (employers)
- 5 represent school employees

Our organization, the VSBA, chooses the 5 employer representatives.

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### What the Commission Does

This group negotiates:

- How much of the health insurance premium cost the school pays, and how much the employee pays
- How out-of-pocket costs like co-pays or deductibles are handled
- Whether schools provide HRAs or HSAs (accounts that help cover health care costs)
- Who has first dollar responsibility for out-of-pocket expenses if using an HRA
- Whether leftover money in those accounts rolls over from year to year

Each side collects data from schools in the fall before negotiations begin. The talks officially start by April 2026.

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### What If They Can't Agree?

If the Commission can't come to an agreement by August 1, a neutral person—called a fact-finder—steps in to help them work things out. If that doesn't work, the fact-finder writes up a report suggesting a reasonable settlement.

If they're still stuck after that, both sides submit their "last best offers" to an arbitrator. Under current law, the arbitrator has to pick one offer—no mixing ideas, no edits. In both past rounds, the arbitrator picked the employees' offer.

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### What We're Asking For

We're asking to make the process more fair and balanced, so that important factors are considered.

Here's what we're requesting and we thank you for adding the following to H.480 draft 10.1:

1. Add two new factors for the arbitrator to think about when making a decision:
  - the value of the health care benefits of school employees as compared to health plans available through Vermont Health Connect; and
  - the percentage increase or decrease in education spending that is likely to result from each party's last best offer as compared to overall economic growth for the State of Vermont.

2. Let the arbitrator build a compromise from parts of both sides' offers, instead of having to choose just one. The language in H.480 currently states: "The VLRB, arbitrator, or arbitrators shall select between the last best offer of each party on an issue-by-issue basis." We respectfully request an amendment to that sentence by adding the words "with or without amendment" at the end. This would clarify that even within a given issue, the arbitrators could select somewhere between the two parties' positions on that issue. So the language would read **"The VLRB, arbitrator, or arbitrators shall select between the last best offer of each party on an issue-by-issue basis, with or without amendment."**

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Bottom line: schools need to take care of their staff and make sure students are getting the best education possible. If we don't get health care costs under control, students will keep losing out. Thanks for listening—and we hope you'll support changes that keep Vermont's schools strong for everyone.