



## Addressing the Cost of Public School Employees' Health Benefits (January 2025)

### **Cost of Public School Employees Health Benefits**

The cost of public school employees' health insurance exceeds \$300 million/year. The cost increased by 16% in FY25 and is projected to increase by 12% in FY26.

The total annual premium cost of the Family Gold CDHP in FY18 was \$17,394. In FY25, the premium for the same healthcare plan costs \$36,548 and in FY26 the premium is expected to cost \$40,909. At the current level of growth, the same plan will cost \$63,928 in FY30 and \$71,472 in FY31.

In addition to health insurance, public school employees have Health Reimbursement Arrangements (HRAs) as a part of their bargained health care benefits. Public school districts pay for the HRAs and employees cannot contribute. In 2023 school districts spent over \$33 million<sup>1</sup> (above health insurance premiums) through HRAs to cover claims costs for employees on the Gold CDHP.

The cost of health insurance premiums and HRAs are included in school district budgets and paid by Vermont taxpayers. These costs are consuming a larger and larger portion of Vermont school budgets. In 2018 when the statewide plan was authorized, health benefits made up less than 10% of school budgets. Fast forward a few years and it's now around 15%. If health benefits continue to grow at the current pattern, they will make up 20% of school budgets in a few years. To deal with this issue, school boards have to hold the line on the remaining parts of the budget. Bottom line: Healthcare is squeezing out other education initiatives.

### **Statewide Bargaining**

In 2018, Vermont began statewide bargaining for public school employees health benefits, outlined in 16 V.S.A. §§ 2101-2108.

The first two rounds of statewide bargaining resulted in arbitration decisions that provided increased benefits for public school employees with most of the increased costs paid by taxpayers.

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<sup>1</sup> This does not include the other plan designs, or the administrative fees of HRAs. The administrative fees of HRAs are approximately \$500,000 annually, statewide.

Based on the statewide bargaining decision, the plan most advantageous to employees is the VEHI Gold CDHP. It is a high-deductible health plan, with a deductible and 80/20% coinsurance, to an annual out of pocket maximum. However, with the first-dollar HRAs provided per the terms of the statewide bargaining, employees **pay no deductible**, and a limited amount of coinsurance *after* the district-paid HRA is exhausted. In 2023, over 200 non-licensed employees on a single plan exhausted their HRA and paid \$0 out of pocket with claims costs between \$3,801-\$46,000.

Employee Segment	Gold CDHP Tier	Member Out-of-Pocket Exposure <u>before</u> HRA	HRA Value	Member Out-of-Pocket Exposure <u>after</u> HRA
Non-licensed	Single	\$2,500	\$2,200	\$300
Non-licensed	Two+ members	\$5,000	\$4,400	\$600
Licensed	Single	\$2,500	\$1,900	\$600
Licensed	Two+ members	\$5,000	\$4,000	\$1,000

### Addressing the Cost

1. Cap the value of health benefits that will be provided.<sup>2</sup>
2. Phase in the cap.
3. Require a single statewide administrator for Health Reimbursement Arrangements.
4. Change the composition of the Commission on Public School Employees Health Benefits to include neutral members.
5. Add to the factors the arbitrator(s) must consider when making a decision:
  - a. the value of the health benefits as compared to health plans available through Vermont Health Connect; and
  - b. the percentage increase or decrease in education spending that is likely to occur as compared to overall economic growth for the State of Vermont.
6. Allow the arbitrator(s) to create an award based on mixing and matching the two proposals presented (current law is “winner takes all” model).

<sup>2</sup> In 2021, the [Governor’s Office recommended](#) a provision that would limit the employer's total health care benefit contributions to 80%.