

December 18, 2017

Vermont State Legislature
115 State Street
Montpelier, VT 05633-5301

Re: Report from the Vermont Educational Health Benefits Commission (VEHBC)

Dear Vermont Legislators:

The Vermont Educational Health Benefits Commission respectfully submits for your consideration our report on the establishment of a single statewide health benefit for all teachers, administrators, and other employees of supervisory unions and school districts. The Commission voted 6:3 to adopt the Report.

The Commission worked very hard over the last 2½ months on its charge under Act 85. The Commission received testimony and comments from stakeholders and many other sources. Commission members debated the issues raised and worked collaboratively. The report represents the view of the majority of the Commission.

I would like to thank all members of the Commission for their hard work and also to all who assisted the Commission with its work. Finally, I thank all those who provided the Commission with factual information and materials and to the public for its engagement. The Commission's work benefitted from the work input of all.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "David J. Provost". The signature is written in a cursive style with a large, prominent initial "D".

David J. Provost

Chair – Vermont Educational Health Benefits Commission

FINDINGS AND RECOMMENDATIONS OF THE VERMONT
EDUCATIONAL HEALTH BENEFITS COMMISSION
PURSUANT TO ACT 85

DAVID PROVOST, CHAIR

GEORGE CROSS
SUZANNE DIRMAIER
BARBARA GRIFFIN
NICOLE MACE
JOHN PANDOLFO
MICHAEL PIECIAK
KAJ SAMSOM
DAVID VAN DEUSEN

DECEMBER 18, 2017



On June 28, 2017, Governor Scott signed Act 85, Fiscal Year 2018 Appropriations Act (H.524) (“Act 85”) into law. Section H.7 of Act 85 created the Vermont Educational Health Benefits Commission (“VEHBC” or “Commission”). The VEHBC was established to “determine whether and how to establish a single statewide health benefit plan for all teachers, administrators, and other employees of supervisory unions and school districts.” Act 85 also tasked the VEHBC with providing “findings and recommendations, along with any necessary proposed legislation regarding the establishment of a statewide health benefit plan . . . to the House Committees on Education, on General, Housing and Military Affairs, and on Ways and Means and the Senate Committees on Education, on Economic Development, Housing and General Affairs, and on Finance.” This report is submitted pursuant to the directives contained in Act 85, § H.7.¹

Introduction

Prior to the passage of Act 60 in 1997, school property tax on otherwise equally assessed properties could be significantly higher in one community over another in order to raise an identical student expenditure. The Vermont Supreme Court rejected this educational funding system in its *Brigham v. State* decision.² Act 60 and its successor laws established a statewide funding mechanism for public education that allows all Vermont communities to raise similar per pupil expenditures via similar tax rates. As a result, public education funding in Vermont is now more equitably distributed across all the state’s property taxpayers. However, many believe that the core goal of Act 60 – equal education opportunity for all of Vermont’s students – has yet to be achieved.

Furthermore, school board members, employee unions, and state policymakers have not achieved salary and benefits equity for Vermont’s approximately 19,000 school district employees. Employee health insurance coverage, including employee premium contribution and out of pocket expense limits, is a significant driver of this benefit disparity across the state’s teachers and school employees. These disparities persist despite the vast majority of the school districts in the state offering health coverage through a single health insurance pool. However, the health benefit for district employees is typically negotiated at the school district level. Consequently, the benefits provided across districts differ, as well as among employee groups within each district.

School employee health benefits are further fragmented across district location and employee type in several ways. The health plans now offered differ in key areas, including the percentage of premium paid by employees and the out of pocket costs for which employees are responsible. Likewise, full-time employees are not defined or calculated the same way across school districts or possibly even within a district. Some districts may provide opt-out incentives that differ from other districts that aim to provide health coverage to employees through an alternative means. Finally, some employees receive no health benefit at all.

¹ The Commission voted 6:3 to adopt this report. Those voting to adopt the report were: David Provost, Michael Pieciak, Kaj Samsom, Nicole Mace, George Cross and John Pandolfo. Those voting not to adopt the report were: Suzanne Dirmaier, Barbara Griffin and David Van Deusen.

² *Brigham v. State*, 166 Vt. 246, 692 A.2d 384 (Vt. 1997).

The current trajectory of health costs in Vermont and more broadly in the United States is unsustainable. This trend also applies to school employee health care costs in Vermont. The fragmented distribution of health benefit cost sharing arrangements, coupled with variable medical service utilization and medical inflation rates, has contributed to significant cost increases to Vermont taxpayers and school employees.

This report seeks to identify the advantages and disadvantages of establishing a single statewide health benefit plan for all Vermont teachers, administrators, and other employees of supervisory unions and school districts. This report also offers limited recommendations meant to aid a prompt transition if the Legislature elects to adopt a statewide benefit.

Composition of the Commission

The VEHB is comprised of nine members. While representation changed slightly over the course of the Commission's life, membership was generally comprised of following designees:

David Provost, Chair, appointed by the Governor;
Michael Pieciak, Commissioner of Financial Regulation;
Kaj Samsom, Commissioner of Taxes;
Suzanne Dirmaier, Vermont-NEA;
David Van Deusen, American Federation of State, County and Municipal Employees Council 93;
Nicole Mace, Vermont School Boards Association;
John Pandolfo, Vermont Superintendents Association;
Barbara Griffin, appointed by the Speaker of the House of Representatives;
George Cross, appointed by the Senate Committee on Committees.

Scope of VEHBC Charge

In determining "the advantages and disadvantages of establishing a single statewide health benefit plan," Act 85 specifies that the Commission shall consider:

- (1) transition issues;
- (2) potential savings from avoided negotiation expenses;
- (3) whether to use income-sensitized premiums;
- (4) ways to address benefit disparities among bargaining units;
- (5) ways to address disparities among districts, including examining the role of and potential changes to fact finding standards;
- (6) property tax implications;
- (7) issues related to uninsured school employees; and
- (8) the structure and composition of the Vermont Education Health Initiative's governing board.

Testimony and Evidence Taken by the Commission

The Commission held nine meetings starting in September 2017, and took testimony from a broad range of experts related to the Commission's charge. Testimony was taken from the following government agencies, organizations, and actuarial experts, among others:

- Vermont Agency of Education;
- Vermont Education Health Initiative;
- Vermont – National Education Association;
- Vermont Department of Taxes;
- Vermont Department of Financial Regulation;
- Vermont Treasurer's Office;
- Washington State Office of Financial Management;
- Washington State Health Care Authority;
- School board members; and
- Oliver Wyman Actuarial Consulting.

Commission members also provided testimony and evidence throughout the life of the Commission. The Commission received written public comments from the Vermont Association of School Business Officials. It also considered written evidence and analysis submitted by many of those that provided testimony listed above.³

Efforts to Create Statewide School Employee Health Benefit Plans in Other Jurisdictions

The Commission looked to the approaches that other jurisdictions – most notably other New England states – have taken to address the administration of teacher and school employee health benefits. While a statewide approach to setting and/or negotiating educational health benefits has been adopted in other jurisdictions, it remains rare in the United States today. The experiences of states that have adopted a state-level approach to teacher health care negotiations were instructive to the Commission.

Some of the states neighboring Vermont have explored or adopted statewide approaches to teacher health care negotiations. For instance, the bargaining of teacher and school employee health insurance in Massachusetts is negotiated on a local or school district-wide level. However, the legislature has codified a minimum 50/50 percent employee/employer insurance premium cost sharing arrangement, with the employer able to contribute above 50 percent.⁴

³ All VEHBC meeting minutes and materials can be found at the Vermont Department of Financial Regulation's website: <http://www.dfr.vermont.gov>.

⁴ Mass. Gen. Laws ch. 32B, §§7,7A.

A study commissioned by the Rhode Island Foundation exploring the development of a statewide Rhode Island teacher’s contract was issued in 2016.⁵ The study found that cost savings related to teacher health care costs may be realized by a move to a statewide negotiation through capturing economies of scale, enlargement or alteration of risk pools, and alteration of health plan designs. The report also notes that “[w]hether a new healthcare plan provides cost savings to districts or cost increases depends much more significantly on the contents of the plan than on whether the plan is provided through a statewide or local contract.”⁶ The Rhode Island legislature has taken no significant action in response to publication of the report. Proposed legislation establishing statewide collective bargaining for teachers was introduced in the Maine legislature in 2017.⁷ However, the legislation failed to make it out of committee.

Washington state has made the greatest advances toward establishing a statewide health care benefit for educators and support staff. Washington passed a comprehensive school funding bill in Summer, 2017 that includes the creation of a School Employees’ Benefits Board (“SEBB”).⁸ The SEBB is charged with, among other duties, to develop employee health care benefits plans, authorize premium contributions for employees and their dependents, and determine terms and conditions of employee and dependent eligibility, enrollment policies, and scope of coverage. All Washington school employees will use SEBB-crafted health care plans by January 1, 2020. SEBB is also responsible for negotiating cost sharing features of the plans with the Governor’s Office. The Commission took testimony from two Washington state officials involved in the formation of the SEBB and the resulting health care plans. Those officials testified that the state is engaged in the preliminary stages of study and development of a statewide health care benefit structure.

The Commission also heard testimony that the province of Ontario, Canada passed a law in 2014 creating two tiers of collective bargaining - central and local - known as the *School Boards Collective Bargaining Act* (“SBCBA”). The SBCBA designates the school boards’ associations as the statutory employer bargaining agent on behalf of school boards for central bargaining; employees are represented by their associations. Collective bargaining occurs both centrally and locally for teachers and support staff. The SBCBA allows bargaining units to combine for the purposes of central bargaining if all parties agree.

Some terms of each agreement are negotiated centrally, while other terms are negotiated locally. The school board and the union are the parties to the resulting collective bargaining agreements.

At the central level, the province participates in central bargaining as a member of the management bargaining team. It does not participate in local bargaining. Each school board has a single collective bargaining agreement with each of its employee bargaining units that includes any terms

⁵ <https://lintvwpri.files.wordpress.com/2016/03/ri-statewide-teacher-contract-report.pdf>

⁶ *Id.*, at 19.

⁷ https://legislature.maine.gov/legis/bills/bills_128th/billtexts/HP061301.asp

⁸ Wash. EHB 2242.SL, Sec. VIII, available at <http://lawfilesexternal.wa.gov/biennium/2017-18/Pdf/Bills/Session%20Laws/House/2242.SL.pdf#page=1>

negotiated centrally or locally. Agreements are not finalized until both central and local terms and conditions are ratified. Central terms are ratified according to procedures developed by the school boards association and employee representatives.

Form of a Statewide Benefit

The Commission focused the majority of its time and energy on examining two possible approaches to establishing a statewide school employee health benefit. First, a statewide benefit could be negotiated between representatives of defined bargaining units representing a critical array of interests on both the employee side – e.g. licensed teachers, non-licensed education professionals, rural school employees, urban school employees, etc. – and employer side on a recurring and ongoing basis. Second, the precise scope and terms of a statewide benefit could be set out in statute by the Legislature. Such an approach has been used to define the terms of the Vermont State Teachers' Retirement System benefit administered by the Treasurer's Office as well as its associated funding mechanisms.⁹ Likewise, Massachusetts established a school employees' health care premium cost share floor through statute.

A third approach was championed by a minority of the Commission: A statewide benefit for Vermont's teachers, school administrators, and support staff could be encompassed by the establishment of universal single-payer health coverage to all of the State's citizens. Statewide universal healthcare coverage – which would cover all school employees – could create the kind of equitable access to health care and reductions in disparities the Commission advocates for as part of this report. Some Commission members recognize that the realization of universal health care in Vermont is a laudable goal, but given the scope of the Commission's charge and limitations on resources and time, such a recommendation is not feasible at this time.

Of the three approaches examined, the majority of the VEHBC recommends that the legislature adopt a negotiated benefit approach to establishing a statewide health benefit. A negotiated school employee health benefit is feasible and offers a number of potential benefits to all parties to the negotiation. A negotiated benefit would likely strengthen consistency and predictability in developing health care plans and rates, while reducing inequities among bargaining units and school districts. Regular negotiation of a health benefit would also allow for significant flexibility in adapting to unanticipated changes in the health care market or regulatory environment, and ensure that the interests of all stakeholders are represented appropriately in response to changes in broader education or labor laws and policy.

A majority of the Commission also recommends the development of a negotiation framework that enables the realization of a number of critical principles going forward. All Commission members agree that a negotiated benefit should allow for access to health care benefits for all school employees – including those that are currently not offered health coverage as a term of their

⁹ See 16 V.S.A. Chapt. 55, §§ 1931-1953.

employment – in order for the various interests and constituencies represented on the VEHBC to support any change to the status quo approach to negotiating health benefits. Likewise, a negotiation framework should create a path to achieving equitable and affordable health benefits across all districts and employee types.

Some Commission members, most notably those representing employee interests, expressed a strong desire to incorporate the use of income-sensitized premiums as part of statewide negotiated benefit. Other members have hesitated to adopt a firm recommendation regarding the use of income-sensitized premiums, primarily due to a lack of evidence presented to the Commission on the issue.

The Commission did not arrive at any agreement on recommendations regarding how to best implement a statewide health care negotiation. This lack of consensus underscores the diversity and depth of interests represented by the Commission and relevant stakeholders across the state, as well as the complexities inherent in discussing, much less developing, a statewide school employee health benefit.

The Commission is, however, in firm agreement that a set of critical parameters should be addressed and set by the Legislature if a negotiated benefit approach is adopted. These parameters include issues related to:

- representation;
- timeframe/deadlines for bargaining;
- impasse procedures;
- incorporation of negotiated health benefit into related district-level agreements addressing other terms of employment;
- ratification procedures; and
- adjudication of unfair labor practices.

Of these parameters, establishing correct representation and a clear timeframe for negotiation are particularly critical to creating a desired outcome from negotiations.

Advantages and Disadvantages of Establishing a Statewide Health Benefit

The establishment of a statewide negotiated school employee health benefit provides an opportunity to strengthen parity of benefits for all employees while reducing inequities across districts and employee types, increase the predictability of health care rate setting year to year while reducing the volatility that exists today due to inconsistent district-level negotiation outcomes, and create consistency for both employer and employee representatives in approaching negotiations. A negotiated benefit does, however, carry some risk of disadvantages, particularly related to short-term transition costs, as well as the resolution of questions that the Commission was unable to answer collectively. The Commission memorialized a comprehensive list of advantages, disadvantages, and unresolved questions generated by Commission members addressing each of the criteria outlined in Act 85. The comprehensive list is attached hereto as

Appendix 1. Areas of particular importance and generating general consensus are discussed below, along with related Commission recommendations.

Access to health care and equity for all school employees

The Commission agrees that equal access to health care benefits for all Vermont teachers, administrators, and support staff and uniform, predictable cost sharing arrangements for those benefits are significant advantages of establishing a statewide negotiation. The provisions of specific district-level health care benefits currently vary district by district, and even by bargaining unit within a district. While the Commission understands that the majority of school workers are now poised to take advantage of a single health benefit plan for FY2019 – the Gold CDHP – the premium cost share and out of pocket expense arrangements are not uniform. For example, district-level negotiations have thus far resulted in employee premium contribution rates ranging from 10 to 20 percent. More troubling, possibly up to 500 non-unionized school support staff members may be offered no health benefit at all. A statewide negotiation could provide all school employees with health benefits coverage under equitable cost sharing terms.

The Commission does, however, see a reasonable likelihood that the State and school districts may incur additional negotiation costs in the short-term while questions around how to best close disparities are resolved. Likewise, adoption of a statewide negotiation may also create changes in the interplay between state and federal health care funding obligations in ways that have not been anticipated by the Commission. For instance, expanding health care benefit offerings to school employees that had historically not been included in district-level negotiations may shift costs to the state and/or school districts that had previously been borne by the federal government under the Affordable Care Act, Medicare, or similar program. The Commission members nonetheless remain in agreement that the benefits of equal access to health care options for all school employees likely outweighs the risks associated with potential cost increases and/or shifts.

The Commission agrees that the use of income-sensitized premiums provides an additional mechanism for further addressing and alleviating disparities across different employee classes and/or bargaining units. However, the Commission is not in a position to make specific recommendations as to how income-sensitization should be incorporated into a broader statewide benefit negotiation at this time. Specific recommendations have been made at the conclusion of this report outlining issues that guidance should be developed around how to best facilitate the introduction of income-sensitized premiums as part of a statewide negotiation.

Finally, some Commission members expressed that a statewide school employee health benefit could provide a first step toward establishing universal and affordable tax-supported health care for all Vermont citizens.

Potential savings from avoided negotiation expenses

Significant or quantifiable savings from avoided negotiation expenses are not expected from establishing a statewide health benefit. While savings may be realized through broader mechanisms, such as the capture of economies of scale when negotiating on a statewide level and increased actuarial predictability, savings from the operational side of establishing the benefit are not expected. The Commission's recommendations would remove only a single component from district-level negotiation. District-level negotiations, along with their associated expenses, would continue to address all other negotiable issues, including compensation, length of day, and other concerns critical to teachers, administrators, and support staff. A minority of Commission members expressed concern that the complications and costs of district-level negotiations may increase with the removal of the health care component, while others disagree that such complications and/or cost increases will result.

Property tax implications

Vermont Education Health Initiative ("VEHI") has filed a 10.2 percent overall rate increase in Fiscal Year 2019.¹⁰ The proposed rate increase was driven in part by a number of district-level negotiated out of pocket cost arrangements that deviated from VEHI assumptions in FY2018. These district-level deviations have resulted in identifiable impacts on statewide property tax rates. For example, differences in induced utilization estimates and Health Reimbursement Arrangement funding assumptions between Act 85 legislative targets and district-level negotiated outcomes resulted in an approximately \$11.8 million increase in unrealized savings. The estimated \$11.8 million gap translates into an approximately 1.5 cent increase for both homestead and nonresidential property tax rates, or a \$30 increase for a property assessed at \$200,000.

The move to a statewide benefit would increase the likelihood that negotiated outcomes do not deviate significantly from VEHI actuarial assumptions. Variability in outcomes from district to district would no longer exist. VEHI actuarial analysis would likely be more accurate from year to year when analyzing a single statewide negotiation. Conversely, parties would have a more accurate understanding of VEHI actuarial assumptions, cost drivers related to health plan options, and potential property tax implications in advance of a statewide negotiation. This information would be helpful to all stakeholders in furthering a broader policy discussion aimed at stabilizing property tax rates in Vermont.

The Commission notes that provision of health care benefits is only one of a complex number of education funding related variables that bear on Vermont's property tax rates. The Legislature's

¹⁰ VEHI's proposed overall 10.2 percent FY19 rate increase is the result of an approximately \$8 million subsidization from VEHI fund reserves. A rate increase of 16.3 percent would be necessary to generate sufficient premium revenue without the VEHI subsidies. An approximately 7 percent increase is attributable to expected annual increases in pharmacy medical trend and administrative costs. Another approximately 7 percent increase can be attributed to deviations in district-level negotiated outcomes from underlying VEHI FY18 assumptions.

education fund appropriation levels, for instance, can have a significant impact on property tax rates independent of the issues this Commission has examined.

Structure and composition of the Vermont Education Health Initiative's governing board

Act 85 directed the Commission to examine “the structure and composition” of the VEHI governing board. The Commission offers no findings or recommendations on this issue. Structure and composition of the VEHI board is dictated by existing regulation, and efforts to modify the VEHI board would require significant changes to regulation currently in place. VEHI is a risk-bearing entity subject to Vermont DFR Regulation I-90-1 rules governing intermunicipal insurance agreements that have been in place since 1991. Regulation I-90-1 requirements seek to ensure solvency for VEHI, and all other intermunicipal insurance entities subject to the regulation. It prescribes the composition requirements of the VEHI board. Any change to the VEHI board composition would therefore require a modification to Regulation I-90-1. Complicating matters further, modification to Regulation I-90-1 would also impact all other entities subject to the regulation, leading to a significant risk of unanticipated and potentially problematic consequences arising.

With this regulatory barrier in mind, the Commission did not solicit testimony or evidence related to VEHI governance structure. The Commission had neither the time nor the resources to undertake a detailed examination of the complexities of making changes to Regulation I-90-1.

Transition Issues

Time is of the essence to create a statewide benefit in 2018. All health benefit provisions across the state are set to expire by September 2019, creating an opportunity for a comprehensive transition to a statewide benefit. However, a successful transition is possible only if a clear timeline with firm deadlines is put in place prior to the start of the first negotiation. Aggressive but reasonable deadlines for the conclusion of bargaining would need to be established, along with deadlines associated with fact-finding if impasse procedures are triggered. The Commission appreciates the significant effort and focus that will be required of all parties to secure a negotiated statewide benefit by early 2019, but is nonetheless convinced that a thorough and fair negotiation is possible if the Legislature establishes firm deadlines in advance of any negotiation.

The Commission grappled extensively with how to best reduce disparities between districts and bargaining units during a transition period. While a single negotiation between employer and employee bargaining units or councils would likely provide maximum benefit to all stakeholders, the Commission recognizes that an incremental approach to this goal may be preferable to establishing the negotiation structure in a single step.

Status quo benefit disparities were generally identified across districts and bargaining units. An initial statewide negotiation may benefit from a hybrid or interim structure where an employee-side bargaining council responsible for representing all districts would be comprised of two or more sub-councils. Each sub-council would represent a large class of employee types: most likely a teachers unit, and a support staff unit, (and perhaps an administrator unit.) This interim structure would be used only during the first negotiation. An interim approach would reduce the location-based disparities that currently exist in negotiations. It would also enable bargaining units that have not historically negotiated together to begin to find common ground in their respective positions while still allowing for limited advocacy of unique bargaining unit perspectives. This would provide some cushion against wholesale transition shock, and increase the likelihood of a successful first negotiation. The employee-side sub-councils would then be subsumed into a single council the following negotiation, allowing for further reductions in (or elimination of) disparities between bargaining units.

The Legislature should also be aware of the potential transition costs, particularly in the short term, of a move to a statewide negotiation. The Commission arrived at no specific recommendations on how to address these costs, but it did consider a number of approaches that may inform the Legislature's thinking. For instance, costs could be allocated to each district for inclusion in their respective budgets. Alternatively, costs could be directed to the Education Fund – which includes statewide education property tax, profits from the state lottery, and annual allocation from the General Fund – and thus allocated from the fund in the same way that some other charges currently are. The Legislature could also adjust the impact of a statewide benefit on the property tax by adjusting the Education Fund allocation from the General Fund.

Proposed Legislation

The Commission members were not able to agree to specific proposed legislation in support of its recommendations. Time and resource constraints relative to the scope of its charge prevented the in-depth discussion of the specific details necessary to arrive at workable proposed legislation. Commission members were, however, able to identify and agree on a number of areas that any proposed legislation that may arise in the wake of this report should address.

- **Representation.** It is essential that the structure and composition of the parties to a statewide negotiation be made clear in advance of any negotiation. As discussed above, both employer and employee-side groups must ensure that regional and urban/rural diversity is adequately represented. All employees should also be appropriately represented by the employee-side representatives: teachers, administrators, support staff. Representation of these interests must be accounted for when determining the size and structure of each party or council to a statewide negotiation.

A clear and comprehensive framework creating the appropriate representation of employee and employer interests is essential to ensuring a fair and productive negotiation. Ensuring

that the diversity of interests is adequately represented in the negotiation is vital to securing statewide acceptance and ratification of the negotiated health benefit.

- **Timing of negotiations.** A clear timeline with firm deadlines for negotiations and impasse procedures should be established as part of any legislation. Notwithstanding the unique timing issues present in 2018 discussed above, the provision of deadlines for the start and end of negotiations will create consistency and certainty for the negotiating parties, school districts, and other stakeholders interested in the outcome of the negotiations.
- **Impasse Procedures.** Likewise, establishing guidance and deadlines related to impasse procedures if negotiations fail should be included in any proposed legislation. Procedures and deadlines for selection of and recommendations by a third-party neutral are important components to an efficient and predictable negotiation process. Additionally, guidelines for factfinding in a statewide negotiation should be developed prior to any negotiation. Developing guidance unique to a statewide negotiation is appropriate, as the focus and scope would likely be significantly different from the factfinding typically undertaken in district-level or municipal negotiations.
- **Ratification and incorporation of a statewide benefit into district-level agreements.** Development of procedures for ratifying the outcome of statewide negotiations by appropriate parties is a critical component of a statewide negotiation framework.
- **Income-sensitized premiums.** Clear guidelines addressing how the specific features of income-sensitization will be decided as part of the larger negotiation – including the timing of when income-sensitization would appropriately be addressed in the negotiation process, and guidance to factfinders when faced with a disagreement over the income-sensitization component of a negotiation – are critical to a fair and timely incorporation of this feature into a statewide health benefit. These guidelines should be included in legislation.

Conclusion

The VEHBC has examined a host of options for the provision of health coverage to Vermont's school employees. The majority of the Commission recommends establishing a school employee health benefit through a statewide negotiation. The Commission has identified a number of principles that ought to be incorporated into a statewide negotiation framework, and has made a number of associated recommendations for the Legislature to consider when evaluating and drafting any proposed legislation addressing school employee health benefits. These findings and recommendations are the result of an extensive review of the evidentiary record presented to the Commission and many hours of discussion amongst its members.

The Commission understands and appreciates the complexities involved with developing the legal framework and guidance necessary to establish an efficient, fair, and predictable negotiation that

will lead to desired outcomes, particularly if the Legislature seeks to initiate a statewide negotiation prior to the expiration of all district-level negotiated school employee health benefits in 2019. The Commission's inability to agree on proposed legislation reflects the breadth and depth of these complexities.

The Commission hopes that the contents of this report provide meaningful guidance and assistance to the Legislature as Vermont continues to explore ways to provide affordable, quality health benefits to school employees, and all Vermonters, while containing or reducing costs associated with the administration of those benefits.

APPENDIX 1

VEHBC FINDINGS & RECOMMENDATIONS CRITERIA

This document is a survey of potential advantages, disadvantages, and outstanding questions related to establishing a health benefit for all Vermont school employees through a statewide negotiation. The comments are categorized to address the review criteria outlined in Act 85, § H.7.

The comments contained herein reflect the concerns expressed by individual VEHBC members. The comments do not constitute any finding or recommendation of the Commission itself. Any and all findings, recommendations, conclusions, or opinions of the Commission are contained in the body of the VEHBC report to which this document is attached.

TRANSITION ISSUES

Advantages

- While a transition to a statewide health insurance benefit could be difficult, then it will be over and we can focus on educating children.
- Entire state would be transitioning at the same time, so the resources of the support organizations such as VT-NEA and VSBA, as well as money saved from a statewide benefit, could be put to use to ensure the success of the transition.
- Almost all contracts expire at the end of the 2018-2019 year.
- This could lead to a single payer system.
- It should be simpler to operationalize a statewide plan and to modify it as needed to comply with changes in federal or state laws.
- Achieving a bargained statewide standard for affordable high quality healthcare would be a positive thing.
- If lawmakers act in the 2018 Legislative session, there should be ample time for all stakeholders to transition prior to the fall of 2019, when the next mass expiration of contracts is set to occur.
- Statewide bargaining or a statutorily mandated cost share requirement would lead to less volatility in the rate setting for health plan benefits. A predictable cost sharing arrangement would allow actuaries to more easily predict plan utilization. A statutory

cost sharing arrangement would be more stable than a annually bargained for cost share. A statewide bargained cost share would also provide, to a lesser extent, a more stable rating environment.

Disadvantages

- If a transition were forced too quickly (e.g.; in a single budget cycle) it could have a negative impact on district budgets and employees.
- Any action need to take place by the end of the session with a definitive plan in place prior to bargaining in the fall of 2018.
- Could lead to other timing issues at local level if a statewide bargaining creates a single bargaining cycle for all local contracts, i.e. a state "contract for health" with a two year duration would lead to a two year duration for most local contracts or reopeners if longer durations are reached. This would create near constant bargaining and little stability for locals and school boards.
- If there were direct bargaining with the state a series of currently unanswered questions need be answered some requiring legislative "fixes". Among those are representation, ratification and impasse resolution.
- Questions as to employer for the purposes of bargaining and statutes regarding intermunicipal associations would need to be reviewed.
- There isn't a system in place to address many of the issues a single statewide health benefit plan would create.
- Mace's proposed timeline is extremely tight to implement this legislative season given the complexities involved without a guarantee that there will be any savings and the real possibility it could cost more.
- Any change in the current practices will create both "winners" and "losers".
- Change is disruptive and difficult. Many questions will still need to be answered before we can realistically say what statewide bargaining would look like.
- Depending on the nature of the change and when the underlying decisions are made (statewide establishment vs. statewide bargaining, income sensitized premium? Etc.) it could be very challenging to transition by fall of 2019.

- A statewide bargaining contract would have to interact with other issues bargained at the local level, such as work conditions and salary. The timing of the health care bargaining would need to be compatible with the bargaining at the local level.

Recommendations

- Create a framework that addresses transition issues.
- If the state creates either a single plan by statute or bargaining, the transition must be complete by the end of this session to make bargaining of local contracts possible in the fall of 2018.
- I recommend that should the state choose to move to a statewide health benefit plan it take the time to put a system in place that addresses the many complexities involved and is sustainable. I have huge concerns that all employees rights to negotiate are being taken away and employees will not have a voice in a single statewide health plan. The Governor's attacks on teachers and lack of understanding of education leaves employees with little trust in the state's ability to maintain a quality education system.
- All school district employees deserve reasonable health insurance, as do all Vermonters; thus, a statewide plan makes great sense in the 21st century. Further, it fits perfectly with the goal of ensuring that all Vermonters have health insurance.
- Transitioning to a statewide bargaining structure is complex and should be studied in more detail. We would welcome the opportunity to look at this further. However we would tirelessly oppose any move to make school healthcare imposed by the legislature. And here we would enlist the support of the 10,000 members of the VT AFL-CIO in this effort.
- Per Act 85, the vast majority of contracted health benefits are set to expire in late 2019. Planning for negotiating successor language may begin as early as late 2018. The Commission recommends that decisions about substantive changes to school employee health benefits be made in the 2018 legislative session to allow ample time for transition issues.
- A statutorily mandated cost share would lead to the best predictability from a rate perspective and avoid issues with timing for the local contract negotiations.
- All health care provisions in contracts expire in 2019, so if the General Assembly wants to have health insurance benefits for school employees negotiated at the state level, it must act in the 2018 legislative session. The transition could be managed if key issues

are addressed in legislation, including: representation, timing, impasse procedures, incorporation into local agreements, ratification, and unfair labor practices.

Outstanding Questions

- Who is the employer? What law would govern the "negotiations" of health care? Can there be a strike or an imposition? How would health insurance be ratified? What would happen if school employees didn't ratify health insurance? How do you negotiate just one item? Where is the give and take when negotiating one item? Would non bargaining employees be represented? Who or how would non bargaining employees be represented? How would non bargaining employees pay their "fair Share" for such representation? Can non bargaining employees have benefits without representation? How would health care be funded? How are the employees negotiating expenses shared? How are local boards and school employees kept abreast of negotiations? How often would Healthcare be negotiated?

POTENTIAL SAVINGS FROM AVOIDED NEGOTIATION EXPENSES

Advantages

- Save on legal expenses and time at the negotiating table, and that it would allow discussion to focus on aspects that often lose priority, such as working conditions, time with children, supervision and evaluation, etc.
- Save on negotiation expenses because it would be one less thing for which the flow of settlements could be controlled to develop favorable comparable patterns, thus significantly decreasing overall time in negotiations beyond what it would seem like at first glance; the current negotiating year is a prime example of how this plays out.
- Save on negotiation expenses because while both education employees and school boards are intelligent, they are not experts on the complexities of health care and necessarily become overly reliant on their respective legal supports (on both the union and management sides as well as neutrals); this results in significant delays in bargaining when these legal supports are not available due to full schedules.
- Reduces one element of local bargaining.
- The assumption that such savings can be found at the district level by removing health insurance from the table is mystical at best. There is one possible exception to this, the

cost of expert testimony related to new approaches to health insurance. In that case, doing it once instead of many times could generate considerable savings.

- If 2018 sees a statutorily established statewide benefit or process for establishing a benefit, upcoming negotiations for contracts that expire in fall of 2019 would have ample information to determine negotiations posture for salary and work conditions. Having a contentious and complex issue settled well in advance of negotiations would result in local negotiations more focused on education quality, work conditions and compensation.
- Based on testimony from Washington state, savings could be gained from a statewide solution. This would avoid duplication of processes at the local level and allow for one decision point. Potential to create parity between state employees and retired teacher cost sharing.

Disadvantages

- Would add cost at state level in terms of general process and impasse resolution.
- A need would still exist for local bargaining which would include bargaining over the impact of a state plan on other areas of a contract.
- No data to suggest that the timelines would be any shorter or easier to achieve a deal.
- A potential tie to state outcomes could require a repeat of this year with additional pressure on mediators and fact finders with nearly every board in the state bargaining two or in some cases three contracts at one time.
- No demonstrable reduction in negotiations expenses at local level.
- Negotiating Expenses would still be incurred by some districts to settle salary, working conditions and language changes.
- There is no way to quantify savings by deleting one issue from the negotiations. In all probability the time and talent needed to complete negotiations on the other issues will be about the same as it is now. Health insurance is only one issue that has been a part of mediation, fact finding and arbitration cases in Vermont school districts. Furthermore, there is no question that the state will have added costs regardless of how a statewide plan is set in place.
- It is very difficult to segregate the cost of negotiations into those costs arising due to the health care complexity vs the remaining negotiated items. Shifting negotiation of health care benefits from local to statewide may alleviate some pressure and cost at the local

level, but there would be additional cost at the statewide level. Some of those costs may be one-time, as the state adapts to a new model. However, any savings are hard to quantify.

- Statutory cost share may be higher than some units have currently bargained for, leading to increased cost to tax payers. The local negotiations would still have to be conducted around issues of working condition and salary and it is unknown whether removing health care negotiations would save expenses.

Recommendations

- There is not enough evidence that any savings can be accomplished in negotiations, but an increase to some unknown amount at the state level.
- I don't believe there will be savings in negotiating expenses as districts will still be bargaining salary and working conditions. There could very well be additional expenses if you add another layer of negotiations.
- There is unlikely to be any savings here.
- If reduction of negotiation expenses is desired, a state established benefit, as opposed to a statewide negotiated benefit is recommended. However, those savings are difficult to quantify.
- Statutorily mandated cost share would avoid negotiation expense. It is unclear whether bargaining health care separately at the state level would create savings for negotiations.

Outstanding Questions

- How would the state's negotiation expenses be paid? Would each school district be responsible for paying a portion of the negotiating expenses? If yes how would that be assessed? Would it end up costing those districts who don't hire lawyers more?

WHETHER TO USE INCOME-SENSITIZED PREMIUMS

Advantages

- A statewide health insurance benefit, if using income sensitized premiums, might help to attract and retain education employees in roles, or in geographic areas, where wages are lower.
- A statewide health insurance benefit might be the only way to utilize income sensitized premiums given the complexity of putting a system for income sensitized premiums in place.
- A statewide health insurance benefit using income sensitized premium makes the most sense as it moves us more toward a model single payer system.
- Income sensitivity would allow a single plan with premium split and OOP costs to be implemented. Some employees would pay less.
- Employees will be paying for health insurance based on their ability to pay.
- Without a doubt income-sensitized premiums are the fairest way to provide health insurance to a large group. It also allows for the lowest-waged employees to pay a more reasonable premium share than one size fits all.
- A more fair and equitable way to negotiate healthcare.
- Income sensitized employee premium share presents a novel way to mitigate the OOP effect of the transition to CDHPs for vulnerable populations.
- Could create a tiered payment model which would be similar to how current U.S. tax code is structure and in some instances be based on ability to pay.

Disadvantages

- A statewide health insurance benefit using income sensitized premium would likely be challenging to implement effectively, as typically systems like this are tied to total family or household income, not individual wages.
- A statewide health insurance benefit using income sensitized premium could be problematic districts were not held harmless in terms of "recapture."

- A statewide health insurance benefit using income sensitized premium is not necessary as the level of employee cost being discussed is very affordable in comparison to what is out on the market.
- Could cost more, some employees would pay more, would require oversight by the state if combined family income approach, would require local oversight if employee only wage. Either case would add some cost to providing health insurance. There are multiple models to achieve income sensitivity for premium and out of pocket.
- This could lead to higher cost for many and would most likely not keep employee's out-of-pocket costs at current levels as stated in Sec. H.5.
- The biggest disadvantage is how to measure income. Is it wages for the employee or family income that is the correct measure? A statewide system would more easily support the family income route which would be difficult to implement at the district level.
- Higher paid employees and managers may pay more.
- This would require some higher paid school employees to contribute more to their healthcare than the status quo.
- Could create further inequities. Would be difficult to account for variables outside of the employers scope, such as spousal income. Different prices for equal benefits. Testimony from Washington State raised issues around determining actual income of employees to determine cost share. (Piecniak)
- We do not know enough about the potential cost implications of moving to income sensitized premiums statewide for all school employees when the benefit is likely to be collectively bargained. This Commission took no testimony about how to operationalize this approach at the state level – we heard anecdotal information that two universities use the model and two school districts do for support staff. It is hard to imagine the union agreeing to have higher paid employees pay 30% or more of the insurance premium in order for support staff to have income sensitized premium payments. I would not support the General Assembly requiring income sensitivity as the model the parties must bargain for health insurance. Further study and testimony is required.

Recommendations

- Create a framework that incorporates income sensitized premiums.
- If any action is taken toward a single benefit plan income sensitivity would be needed.

- Keep employees total costs at their current levels.
- If the decision is to have a statewide system for all school district employees in Vermont an income-sensitized premium is recommended.
- AFSCME supports income sensitivity as a frame work from which to negotiate healthcare benefits.
- All Commission members recognized that the status quo has many examples of geographic and income based disparities in the quality and employee cost of health benefits. Transitioning to a state-wide benefit provides a unique opportunity to implement income sensitivity to health care costs for school employees, which could address many outlier examples of affordability concerns related to the transition to CDHPs.
- Do not allow for income sensitized premiums due to inability to account for unknown variables which could lead to inequality and added cost to districts and tax payer.
- The General Assembly should take testimony and undertake a fiscal analysis to determine the feasibility of income sensitized premiums as a requirement (rather than a subject of bargaining), in light of the state's goals.

WAYS TO ADDRESS BENEFIT DISPARITIES AMONG BARGAINING UNITS

Advantages

- We will never eliminate disparities (relative to a health insurance benefit) among bargaining units if bargaining over health care is allowed to continue at the local level, and that disparities among bargaining units pits school systems against each other which is ultimately not good for children.
- Given the fact that we have a statewide education funding formula, a statewide health insurance benefit would result in greater equity in costs across the state by avoiding districts whose employees pay more for health care subsidize those districts whose employees pay less.
- What has worked well so far is that for most state education employees VEHI (one central place) has made most decisions for what school districts will do, thus minimizing disparities; the only exception has been the insurance premium split between employee and employer, which has caused all the disparity thus far and could have been avoided by bargaining that at the state level.

- A statewide health insurance benefit would move us toward statewide equitable access to health care for all.
- Would remove any disparity if a single benefit.
- A statewide system should eliminate the current disparities found among the various school districts in the state and even within any given district when comparing the various labor groups. The disparities will never be eliminated in the current district-by-district/union-by-union bargaining. Elimination of the current differences in the health insurance programs offered to school district employees and how they are paid for would be one small step towards reasonable health care for all Vermonters.
- Pending studying this issue further, it is conceivable that an industry standard can be negotiated on a statewide bases.
- Statewide bargaining/ statutory solution could create uniformity among bargaining units as seen in state employee health care cost share as well as benefit structure. (Current state employees, whether managerial or non-management all pay the same cost share and select from two plan designs.)

Disadvantages

- Increased cost over current coverage, which if not fully funded would create other problems such as reduction in education budgets.
- Without looking at the entire collective bargaining agreements it is challenging to address benefit disparities as some locals negotiated a lower premium and/or out of pocket costs for higher salaries or other benefits, language changes or changes in working conditions.
- Eliminating the disparities has no disadvantage; except for those who believe that the current system is fair and sustainable.
- Many questions would need to be answered before we could realistically recommend statewide negotiations. But the complexity aside, we can envision this approach. However, imposing of healthcare benefits by politicians is a non-starter.
- Depending on how other aspects of negotiation have been settled (i.e. salary/working conditions), parity for health care may negatively affect workers who have agreed to lower salaries for more favorable health care benefits and cost sharing. There would be an adjustment period where contracts settled out for a few years may be unable to account for a yearly change in health benefit configuration.

- It will be difficult to eliminate benefit disparities among bargaining units overnight without increasing costs to the system.

Recommendations

- Create a framework that addresses disparities among units.
- If any action is taken toward a single benefit plan all employee should be provided with the same benefit including tier options.
- I recommend maintaining local control. Local school boards and local bargaining units should have the ability to meet the individual needs of their community much like we expect teachers to meet the individual needs of their students. A "one size fits all" system simply can't address each communities needs.
- The only context disparities need to be looked at in the in relation to wages and ones ability to pay a share of the healthcare. Income sensitive healthcare would go a long way in addressing this which we could support imposed benefits is if we achieved a true universal single payer healthcare system in which all Vermonters were in the same boat. Otherwise we will not support school workers being singled out, and therefore be an economic/political target in years to come.
- A universal benefit and EE contribution would provide stability and predictability to employees changing employment across districts. It would also allow greater comparability for decision makers examining overall compensation disparities throughout the state. A statewide benefit would be a major step in addressing disparities among bargaining units and throughout the state.
- Current inequities exist among employees throughout the state. If one aspect of the negotiations settled at the state level, could potentially eliminate disparity for h. cost share.
- Create a process where bargaining is conducted for two separate bargaining units (licensed and unlicensed staff) in the first round of negotiations. This will allow disparities within bargaining units to be addressed first, which will then pave the way for a single benefit to be negotiated across bargaining units in the next round.

WAYS TO ADDRESS DISPARITIES AMONG DISTRICTS, INCLUDING EXAMINING THE ROLE OF AND POTENTIAL CHANGES TO FACT FINDING STANDARDS

Advantages

- A statewide health insurance benefit will save money both at the benefit level and at the negotiating table. Based on this, and since fact finders only compare what other districts do, failing to save money through a statewide health insurance benefit would continue to drive costs up and increase to inequities.
- Since fact finding is more regional in nature than statewide, a statewide health insurance benefit will decrease inequities between regions, and help decrease the migration of education staff from regions that are challenged to keep them.
- With respect to health insurance, if a single benefit existed, there would be no need to change fact finding standards.
- A statewide health insurance program for employees of Vermont's school districts would have no impact on fact finding with the exception that it would probably remove health insurance from the process. Greater emphasis on districts of comparable wealth as oppose to geographic region might be a healthy change.
- Statewide bargaining/ statutory solution could create uniformity among districts as seen in state employee health care cost share as well as benefit structure. (Current state employees, whether managerial or non-management all pay the same cost share and select from two plan designs.)
- If health insurance benefits are negotiated at the state level and factfinding is part of the impasse resolution process, then clear standards for the factfinder will help him/her evaluate proposals from the parties.

Disadvantages

- Could make process more onerous and costly if the standards proposed in the LaLonde bill were implemented. Comparable data benefits both the union and the boards at different times. A willingness to pay versus an ability to pay standard cold lead to a continuation or exacerbation of disparities among districts.
- In all probability there are no specific disadvantages related to fact finding in the event of a statewide health insurance system for all district employees.

- While there are cost of living arguments for the geographic disparities in teacher pay, I have not heard any compelling arguments that show a benefit to a school employee in one part of the state having a different health plan than an employee in another part of the state. A universal benefit and EE contribution would provide stability and predictability to employees changing employment across districts. It would also allow greater comparability for decision makers examining overall compensation disparities throughout the state.
- Depending on how other aspects of negotiation have been settled (i.e. salary/working conditions), parity for health care may negatively affect workers who have agreed to lower salaries for more favorable health care benefits and cost sharing. There would be an adjustment period where contracts settled out for a few years may be unable to account for a yearly change in health benefit configuration.

Recommendations

- With respect to health insurance, if a single benefit existed, there would be no need to change fact finding standards.
- None related to fact finding.
- AFSCME opposes any changes to fact finding. AFSCME supports a fair basic benefit that would be comparable from district to district as long as that benefit is bargained and not imposed.
- Standards for factfinders should be included for factfinders brought in when the parties reach impasse during statewide bargaining.

PROPERTY TAX IMPLICATIONS

Advantages

- A single statewide health benefit plan would have a positive impact on property taxes by saving money, which would reduce costs and thus reduce the tax burden.
- Could reduce or control future increases as a part of total education spending.
- While conventional wisdom suggests that there should be some savings from a statewide plan, the unknown is how many employees are currently not eligible for health insurance or who pay a substantial portion of the premium via negotiated contract or policy. It is

possible the cost of the SAME coverage for ALL district employees will be substantial the same or greater than current cost. There are also the unknowns related to federal actions in this arena which may or may not impact Vermont taxpayer costs. Another unknown is the impact of income-sensitized premiums. However, it needs to be repeated that one statewide health insurance system for all district employees is fairer and more equitable than the current system. Furthermore, it is a step in the right direction - health care for all.

- Change tax from a regressive property tax to a progressive income tax. This could provide tax reductions for working class families, while compelling those who have wealth to pay more to support our schools.
- Testimony from VEHI and DFR actuaries indicates that there is a quantifiable portion of the FY19 VEHI rate increase request (9.1% of the 16.8%, pre-reserve subsidy) that can be attributed to local negotiated benefits varying from the assumptions made by the Governor and VEHI in its original rate build and anticipated benefit OOP costs. The annual dollar impact of "Change in induced utilization estimates" and "Increase in HRA funding assumptions to 88%" is approximately: \$ 14 mil., which amounts to approximately 1.75 cents on both the NR and HS property tax rates.
- Testimony presented to the Commission suggests that recently-negotiated settlements did not result in savings to taxpayers, but instead resulted in most school employees having richer health insurance benefits. Negotiating health insurance benefits, including multiple plans and multiple vehicles for covering OOP costs (HRA's HSA's, etc) is very complex. A single negotiation conducted by individuals with expertise in health insurance and actuarial analysis could generate significant savings to taxpayers over time, while at the same time assuring all school employees have access to high quality, affordable health coverage.

Disadvantages

- Effect could be minimal, cost control over health care costs could lead to diminished benefits at a faster rate or more cost to EE, leading to labor unrest.
- Vermont has one of the best educational systems in the country. It is costly and we need to find ways to preserve it and generate more revenue, create more jobs and bring more families to Vermont. A state-wide health benefit plan for school employees does not guarantee savings. Continually eroding our school system will only drive families away. Many schools have already moved to an 80/20 premium split and many other schools are moving in that direction. If school employees are forced to pay a significant amount more for health care that will surely have an effect on salary negotiations.

- Those obsessed with taxation might be willing to set aside fairness and equability for savings. This would be a lost opportunity.
- Covering more school employees with a good healthcare benefit could mean property taxes increase. Problem mitigated if tax was changed to a progressive income tax.

Recommendations

- There is not enough information to suggest that any substantial tax advantage would be created with a single benefit.
- Keep all bargaining at the local level and don't remove health care negotiations from salary negotiations. If we expect our students to demonstrate civic responsibility we need to model what it means to be a citizen in our own community.
- Change school funding from a regressive property tax to a progressive income tax.
- The property Tax Implications of the deviation from VEHI original assumptions amount to approximately \$14mil. annually (or 1.75 cents on average property tax rates). It is recommended that all efforts be made to pursue a fair statewide benefit that delivers a health care plan with similar OOP costs to employees while also saving property taxpayers.
- Defer to the tax department on the property tax implication issues.
- Move to a statewide negotiations of school employee health insurance.

ISSUES RELATED TO UNINSURED SCHOOL EMPLOYEES

Advantages

- Single statewide health benefit plan would improve the current status by offering coverage to any who do not currently have it available.
- Some not aware there are education employees in Vermont without coverage available.
- Could provide more coverage to uninsured (school based coverage) or under insured.
- All school employees will be eligible for health care.

- A statewide plan could cover all school district employees in the same manner regardless of district of employee, union representation or eligibility for representation. Again, this is a simple question of equity and fairness.
- All school employees (all Vermonters for that matter) should receive affordable quality healthcare as a basic human right.
- Providing health coverage to a segment of population which are currently not receiving health coverage from employer.

Disadvantages

- Could cost more or require a reduced benefit for all.
- The exact number of uninsured school employees is not known, but is estimated there are approximately 500 employees who are not covered by a union contract. There is a very strong possibility adding uninsured employees to a statewide health plan will cost more.
- There is an added cost to this, and since school expenses are paid for by a regressive property tax, this could mean in an increase in taxes for some.
- Unknown whether current uninsured employees are part-time and would not qualify under a different health care arrangement or if they are receiving health care from a spouse. Individuals may qualify for federal subsidies and tax credits for plans bought off of the state health care exchange. Insuring these individuals at the state level would shift a portion of the cost from federal government to local taxpayers.

Recommendation

- Create a framework that insures all school employees.
- Universal access should be provided - all employees employed by school districts meeting certain hour limitations should be covered.
- Regardless of action on a statewide health insurance program for all school district employees the legislature should ensure that all employees are in some way eligible for health insurance.

- AFSCME supports all school employees being provided affordable quality healthcare coverage. This coverage should be bargained as an industry standard.
- Need more analysis to actually understand who is uninsured and the reasons.
- If statewide health insurance is going to be a negotiated benefit, then it can only apply to employees within a bargaining unit. If the state is going to establish the benefit in statute then it could apply to all employees, even those not in a bargaining unit.

STRUCTURE AND COMPOSITION OF THE VEHI GOVERNING BOARD

Advantages

- Creates new opportunities for an equal partnership between labor and management, new board with different purpose, potential that the current VEHI board no longer exist.
- There are no advantages to the men and women working in Vermont's schools to keeping the composition of the VEHI governing board the same.
- Since this question is really unrelated to the issue of a statewide health insurance program for all school district employees there are no advantages.
- There should be an equal number of seats between those in Labor and those who are not representing Labor. This is more than fair considering the non-management workers make up the GREAT majority of those who receive the benefit.
- The structure and composition of the VEHI Governing Board is a regulatory matter. VEHI is established as a risk bearing entity authorized by law and DFR regulation I-90-1. Discussions of the appropriate make up of its governing board should be considered within the context that this is an insurance-like entity with very real liabilities, insurance risk and solvency considerations. It's members (school districts) are assessable if VEHI fails to collect enough premium to cover the costs of the benefits, and these same members are responsible for providing the health benefits in accordance with CBAs. Given the very real legal and financial obligations and risks of members (school districts) it is not surprising that Reg. I-90-1 dictates the make-up of the governing board of such an entity.
- Currently diversity of viewpoints. In compliance with Intermunicipal Association Regulation (90-1). Employers have decision making power on what benefits they want to offer to employees. Moving to 3-3 or 3-2 split would have employers and employees equally represented.

Disadvantages

- No need for the current board to exist.
- VEHI was founded on a strong working relationship between the VSBA and the VT NEA. They successfully worked together for many years. Due to the ACA changes were made and VEHI doesn't equally represent all of its members. Last year several thousand school employees across the state signed a petition to have a discussion regarding VEHI's composition. There was no response from VEHI regarding the petition and no acknowledgement that they received it. The VT NEA has testified that they can't even get a second to a motion to correct the minutes. The composition of VEHI doesn't allow all sides to have a voice at the table.
- Since this question is really unrelated to the issue of a statewide health insurance program for all school district employees there are no disadvantages.
- There is no disadvantage to creating equity.
- Currently employees bargain for health care benefits. Would allow employees to determine what health care benefits should be offered. Would not be in compliance with regulation and require DFR to change regulation.
- The Commission took no testimony from VEHI on this matter. It is not appropriate to make a recommendation without hearing testimony about VEHI's regulatory status, bylaws, and board dynamics from a VEHI representative.

Recommendations

- Current VEHI Board configuration is appropriate, equitable, and fair; no reason for the current VEHI Board configuration to change.
- No connection whatsoever of the structure of the VEHI Board configuration to establishing a single statewide health benefit.
- If a single benefit was achieved at the state level the oversight body should have an equal number of labor and management members.
- I recommend exploring what options may be available given the changes made under the ACA. Currently there is not equal representation and there is a mistrust of the VEHI Board.

- Don't confuse the basic question.
- AFSCME supports Labor having an equal number of seats.
- VEHI is a risk bearing entity authorized as a Reg. I-90-1 inter-municipal risk sharing arrangement. This regulation dictates the governance and member participation in the entity. This regulation has been in existence for nearly 30 years and protects consumers by ensuring the solvency of the entity, and thereby the ability of its members (school districts) to pay the benefits promised as employers to their employees. DFR is responsible for the solvency oversight of the entity. As such, the governance of the entity is a regulatory matter and no changes to the governance of VEHI should be pursued without extensive consultation with DFR on the impacts and potential risks to the entity.
- Leave governance structure as is.

Outstanding Questions

- If we moved to a statewide health benefit plan would the current VEHI Board need to exist? If not what would replace it?