2019 Statewide Bargaining Proposals

from Vermont-NEA & AFSCME

April 1, 2019

Vermont-NEA, Health Insurance Reform Principles on Equity, Affordability and Ability to Pay (2018)

Result in health insurance that is equitable and affordable for all school employees.

Create a system that is predictable, affordable, and based on a school employee's ability to pay.

American Federation of State, County and Municipal Workers, Statement on Health Care Reform (1993)

The Union has long advocated that health benefits be comprehensive, affordable and financed on the ability to pay

Vermont School Boards Association (2018-2019 Resolutions)

In order to ensure equity and sustainability in the health care benefits available to all school employees, the General Assembly should adopt a process for the negotiation of health care benefits at the state level by a council of school board members to apply to contracts that expire in 2019.

The Report of the Vermont Education Health Benefits Commission (2017)

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. ...A statewide negotiation could provide all school employees with health benefits coverage under equitable cost sharing terms.

...

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.

Act 11, Vermont Legislature, Special Session (2018)

In recognition of the existing disparities in health care benefits between different supervisory unions and school districts and between different categories of employees within the same supervisory unions and school districts, it is the intent of the General Assembly that the Commission on Public School Employee Health Benefits endeavor to transition school employees and school employers to more equitable health coverage statewide in a manner that is fair and practicable for all parties involved.

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Introduction

Sustaining and Expanding Access to Affordable and Equitable Health Care Benefits

As statewide representatives of tens of thousands of unionized and non-unionized public school employees and their families, Vermont-NEA and AFSCME, consistent with the intent of Act 11, are committed to negotiating a health benefits settlement that expands full access to affordable and equitable health care for all school employees and their dependents who have been denied such access to date. We are also committed to sustaining access to affordable and equitable health benefits for school employees and their dependents who are fortunate to have it at present, and who have sacrificed wage and other benefit gains for decades to achieve and maintain these benefits.

We believe access to high-quality, affordable health care for all school employees and their dependents is absolutely essential to the recruitment and retention on high-quality teachers, educational support professionals and administrators.

Working Together in the Service of Public Education and the Common Good

Vermont-NEA and AFSCME will pursue these statewide negotiations in a spirit of collaboration and mutual respect.

This is probably the most demanding and consequential bargaining assignment any of us have ever undertaken. Unfortunately, we do not have a lot of time for research and deliberation, and the complexity of our work is great. Going forward, therefore, we must do our "homework" thoroughly and quickly, take pains to "do no harm," and be patient with each other as we try to understand and resolve a host of issues that historically have been addressed at the local level with the benefit of locally specific and accessible data.

We must also discuss how we can readily gain access to and work systematically (and more quickly) with the data we need from school districts and other sources so that we can more effectively prepare for and conduct statewide bargaining in the years to come.

Finally, the widespread and severe health benefit problems of 2018, personal and institutional, which are still playing out in 2019, underscore how important it is to learn from past decisions and actions.

Article I: Implementation Date of Statewide Negotiations' Agreement

July 1, 2020 vs. January 1, 2021

At present, VSBA and the Unions are discussing with legislators a "technical fix" to Act 11 that would move the implementation date of the statewide bargaining settlement to January 1, 2021 (rather than July 1, 2020). It is our understanding that the leadership of the unions and VSBA are in general agreement that there are clear advantages to moving the implementation date to January 1, 2021, especially as it pertains to the administration in 2019 to health spending accounts.

However, if the date change does NOT happen via legislation as the unions hope, we propose that for the limited period of July 1, 2020 through December 31, 2020, health benefits for unionized and non-unionized personnel be maintained in accordance with the terms and conditions that had been negotiated at the local level statewide and were in effect on June 30, 2020.

NOTE: *The proposals that follow are predicated on the understanding that the implementation date of* ***any new health benefit terms different from those that were in effect in local school districts on June 30, 2020****, will be January 1, 2021; if that proves for whatever reason not to be true, the union reserves the right to amend the start dates and timelines in its proposals to reflect a start date of July 1, 2020, without altering the intent of its proposals.*

Article II: Defining the Scope of Statewide Bargaining

Maintaining Consistency with Act 11 and Protecting the Integrity of Local Collective Bargaining Agreements

1. The unions propose that parties agree that the scope of statewide bargaining will be limited to the following issues:

    a) Determining eligibility for health benefit plans and tiers of coverage for school employees;
    b) Standardizing the duration of health insurance coverage during a term of employment;
    c) Negotiating cost-sharing amounts between employers and employees for premiums and out-of-pocket costs;
    d) Structuring cost-sharing between employers and employees via health spending accounts;
    e) Researching, vetting and establishing a system of third-party administration that is efficient and competent, technologically sophisticated and manageable, and accountable to employers and employees;
    f) Developing local training resources and workshops for employees about their benefit plans, health spending accounts, and TPAs;
    g) Assessing the value and costs of cash-in-lieu (CIL) benefits in relation to the shared pursuit of greater affordability and equity;

h) Conceptualizing and implementing ratification processes at the close of formal negotiations.

2. The unions and VSBA agree that they will take appropriate and effective measures to avoid decisions that may undermine or negate, or could be interpreted to undermine and negate, existing terms and conditions of employment that are not controlled by Act 11 and historically have been collectively bargained at the local level or provided via policy or individual employment contracts at the local level for non-unionized staff, and that shall continue to be collectively bargained locally or extended via policy or individual employment contracts locally.

3. All existing terms and conditions of employment in collective bargaining agreements, individual employment contracts or school policies – too numerous to enumerate here – that are not subjects of bargaining under Act 11, but that directly involve or implicate the provision of health benefits (for example, early retirement and severance agreements, long-term disability benefits, paid and unpaid leaves of absence, etc.), shall not be affected or altered in any way by the terms of the statewide agreement on health benefits.

4. The parties affirm that all existing terms and conditions of employment in collective bargaining agreements that are not subjects of bargaining under Act 11 shall continue to be collectively bargained at the local level between school districts and the local union representatives of their employees; or such terms and conditions that are currently set in policy or individual employment contracts on behalf of employees who are not part of recognized bargaining units shall continue to be determined by policy or individual employment contracts.

5. The statewide settlement on health benefits will not constrain or limit in any way the ability of local school districts and unions to collectively bargain over and come to agreement on new or expanded terms and conditions of employment that involve or implicate health care benefits but are not subjects of bargaining under Act 11 (for example, early retirement provisions, employee severance agreements, long-term disability benefits, paid and unpaid leaves of absence, etc.). The same will apply to new or expanded terms and conditions of employment established by or negotiated with school districts on behalf of employees who are not part of recognized bargaining units.

Article III: Resolving Challenges with Data Collection & Analysis

The unions propose that they and VSBA, with outside expertise and guidance as needed, design and develop <u>in partnership</u> an administratively manageable and sustainable system of statewide data collection, dissemination and analysis for public schools and school employees. This system must be ready to use <u>before the start</u> of the second round of statewide bargaining. Conceptual and design work will begin in the first six months of 2020, in accordance with a protocol and team-based approach to be determined by the parties.

The first-round of collective bargaining to implement a statewide health care benefit is constrained by five major factors:

1. A narrow statutory window for conducting and completing health care bargaining;
2. A small number of negotiation sessions prior to statutorily mandated impasse resolution processes;
3. Inadequate time to study and assess a very large and complicated archive of employee benefit data;
4. Great difficulty "costing out" proposals and models of cost-sharing to determine their financial impact per school district and per employee statewide; and
5. Substantial variations on the current amounts and structures of cost sharing and on eligibility requirements for enrolling in benefit plans and tiers of coverage.

These factors not only impede the bargaining efforts of the unions and VSBA, but they will prove problematic for a mediator/fact-finder or arbitrator, especially points 3-5. None of the obstacles in respect to data are of short duration, either. It will prove equally onerous, if not impossible, to prepare for and conduct bargaining effectively, expeditiously, and fairly in the future, with minimum disruption to school central offices, using current methods of data collection and analysis.

Article IV: Income-Sensitized Cost-Sharing and the Future of Statewide Bargaining

Income should never be a barrier to medical care. What employees pay for employer-based health insurance should be based on their ability to pay.

To that end, the unions are proposing as a first step in these negotiations an out-of-pocket (OOP) cost-sharing formula that is income sensitized (**see Article XI, pg. 14**).

Second, regardless of how our OOP cost-sharing proposal fares in bargaining, the unions propose that no later than February 1, 2020, Vermont-NEA, AFSCME, and VSBA undertake a rigorous project of research and data analysis with the objective of designing income-sensitized model(s) of cost-sharing for health benefits that is(are) fair and practicable for school districts and school employees.

To accomplish this:

a) The parties will jointly determine how to structure, facilitate and fund this project and with whom to consult for analytical expertise and economic-modeling guidance;

b) The parties will determine how income-sensitivity is to be structured and implemented for all school work classifications;

c) A model or models of income-sensitized cost-sharing will be formally adopted by the parties at the second round of statewide bargaining;

d) The parties will keep school boards, local unions, school employees, the legislature and administration apprised of its work and progress;

e) The consequences – medical, financial and administrative – of the transition to high-deductible benefit plans and health spending accounts in 2018 will inform the work of the parties;

f) The first statewide agreement shall run for a duration of four years (January 1, 2021- December 31, 2024), to accord the unions, VSBA and outside support entities adequate time to research and design an income-sensitized cost-sharing model(s) and to prepare appropriately for the transition to the chosen model(s) after formal adoption.

Article V: General Provisions

1. All terms and conditions of the statewide agreement on health benefits will be incorporated by reference into existing collective bargaining agreements.

2. All terms and conditions of the statewide agreement on health benefits will be incorporated by reference into school policies or individual employment contracts that govern health benefits for school employees not in recognized bargaining units.

3. Nothing in the statewide agreement shall be construed to deny or restrict in any way the right to health insurance coverage through an employer's health care plan that employees and their dependents are entitled to under federal COBRA rules, the federal Family Medical and Leave Act (FMLA), Vermont's Family and Medical Leave Laws, or other state and federal statutes.

Article VI: Duration of Statewide Agreement

1. The unions propose that the first, statewide bargaining agreement on health benefits be for a duration of four years: January 1, 2021 – December 31, 2024.

2. A four-year agreement will greatly facilitate a joint research project on income sensitized cost-sharing. It will also permit local school boards and local unions to receive much-needed relief from the non-stop, high-pressured bargaining that commenced after VEHI announced the transition to high-deductible health plans. It will open the door again as well to the possibility of multi-year collective bargaining agreements, something that has not been achievable for some time for many districts and local unions because of the timing of the VEHI plan transition.

Article VII: Eligibility for Health Benefit Coverage

1. Effective **January 1, 2022**, all public school employees who work a minimum of seventeen and one-half (17.5) hours weekly during the school year or calendar year shall have the right to enroll in a health benefit plan with an employer subsidy to pay for premium and out-of-pocket (OOP) costs. Employees may elect coverage for themselves, their spouses and other qualified dependents from any of the four (4) tiers (e.g., single, two-person, parent/child[ren] and family) in any of the four (4) plans (e.g., Platinum, Gold, Gold CDHP or Silver CDHP) offered by the Vermont Education Health Initiative (VEHI). Spouses of employees shall include those by marriage, domestic partnerships, or civil unions. **(See Article X, pgs. 12 – 14, for details on the unions' transition proposal to achieve universal coverage for public school employees.)**

2. Employees will not be subject to a probationary period before being permitted access to health insurance coverage for which they are eligible.

3. Health insurance coverage for new employees or employees newly eligible for health insurance coverage will start at the earliest possible date consistent with current VEHI/BCBSVT enrollment rules.

4. Full-time status for determining the amount of employer-subsidized coverage for premium and OOP costs will be based on current FTE or hourly requirements for benefit eligibility per work classifications as stipulated for recognized bargaining units covered by existing collective bargaining agreements or as codified in individual contracts and school policies for school personnel not in recognized bargaining units.

5. Employees who work less than full time but a minimum of seventeen and one-half (17.5) hours weekly during the school year or calendar year shall be entitled to pro-rata health benefit coverage.

6. Employees who are not employed full-time, who work a minimum of seventeen and one-half (17.5) hours weekly during the school year or calendar year, and who had access to the same employer-subsidy for health benefits as full-time employees prior to the implementation of the statewide negotiated agreement, shall retain access to their employer's health insurance subsidy for full-time employees.

7. A couple (married or living as domestic or civil union partners) working for the same employer will be eligible to enroll individually in single-tier coverage, or as a couple in two-person tier coverage, or as a couple with other dependents in family-tier coverage as applicable.

8. Employees seeking to obtain benefit coverage for domestic partners and the child[ren] of domestic partners must satisfy the following criteria:

   Domestic Partners:

- The employee and the domestic partner are each other's sole domestic partner and have been in an enduring domestic relationship sharing a residence for not less than six consecutive months before enrolling in their school district's health benefit plan;
- The employee and the domestic partner are 18-years old or older;
- Neither the employee nor the domestic partner is married to anyone;
- The employee and the domestic partner are not related by blood closer than would bar marriage under Vermont law;
- The employee and the domestic partner are competent to enter into a legally binding contract;
- The employee and the domestic partner have agreed between themselves to be responsible for each other's welfare.

Child[ren] of Domestic Partner:

- The child[ren] otherwise meets the eligibility criteria for dependent child[ren] under the eligibility provisions for school health benefit coverage;
- The child[ren] can be, and is, claimed as a dependent by the employee and/or the domestic partner for federal income tax deduction purposes;
- The child[ren] resides with the employee and the domestic partner;
- The employee and the domestic partner have agreed between themselves to be jointly responsible for the child's welfare.

Article VIII: Continuation of Health Benefit Coverage

1. Employer-subsidized health insurance coverage for employees whose employment ends on June 30 will extend for two months, until August 31 of the same calendar year, **unless** school districts and local union representatives have agreed to longer alternative arrangements (e.g., via retirement incentives or severance agreements, or leaves of absences, etc.) for school employees in recognized bargaining units; or **unless** school districts have policies or contractual provisions in place with longer alternative arrangements for employees not in recognized bargaining units;

   Employees whose employment ends on June 30 of any given year may terminate enrollment in their employers' subsidized health insurance coverage sooner than August 31 of the same calendar year if they notify their former employer in writing that they are electing to enroll in health coverage from an alternative source and that such coverage will became effective **prior to** August 31. Employees who decide to enroll in health insurance coverage from an alternative source **prior to** August 31 shall be entitled to remain in their former employer's subsidized health insurance coverage until benefit coverage from the alternative source goes into effect.

2. Employees whose employment ends for any reason <u>before the close</u> of their contracted term will retain employer-subsidized health insurance coverage for themselves and their dependents until the last day of <u>the following month after the month</u> their contractual service ends (for example, an employee who resigns, is laid off, or is terminated in March can elect to retain the same employer-subsidized health insurance coverage through the last day of April of the same year). This period of coverage for affected employees can be extended beyond the term stipulated above if local school districts have agreed to alternative arrangements (e.g., via retirement incentive provisions, severance agreements, etc.) with the local union representatives of their school employees or with employees outside the bargaining unit.

Article IX: Premium Cost-Sharing: Employers and Employees

1. For the duration of the first statewide bargaining agreement, each employer will contribute the same percentage of premium contributions that had been negotiated or determined locally prior to the implementation of the statewide agreement and based on the VEHI plan and tier-of-coverage decisions of employees (unionized and non-unionized) eligible for the employer's premium subsidy.

   For example:

   a) If an employer was paying eighty-five (85) percent of the premium contribution for the Gold CDHP for any tier of coverage, and that amount of money could be credited at an employee's discretion toward the premium costs for a tier of coverage in another VEHI plan, for the duration of the statewide health benefits agreement, the employer will continue to pay 85 percent of the Gold CDHP's premiums and that amount of money can still be applied annually at the employee's discretion to a comparable tier of coverage in another VEHI benefit plan.

   b) If an employer was paying eighty-five (85) percent of the premium contribution for the Silver CDHP for all tiers of coverage, and that amount of money could be credited at an employee's discretion toward the premium costs for a comparable tier of coverage in any other VEHI plan, for the duration of the statewide health benefits agreement, the employer will continue to pay 85 percent of the Silver CDHP's premiums and that amount of money can still be applied annually at the employee's discretion to a comparable tier of coverage in another VEHI benefit plan.

   c) If an employer was paying different premium amounts depending on enrollment in any of the four VEHI plans, for the duration of this agreement, the employer will continue to pay the same premium contribution toward coverage in each of the VEHI benefit plans elected by its employees.

Article X: Preserving & Expanding Access to All Tiers of VEHI Benefit Plan Coverage

1. There shall be <u>no rollbacks or diminishment</u> in access to employer-subsidized tiers of health benefit coverage (i.e., single, two-person, parent/child[ren] and family) that public school employees and their dependents were eligible to elect prior to the implementation of the statewide negotiated agreement.

2. Employees shall be entitled to <u>gain access</u>, as delineated below, to <u>additional</u> tiers of employer-subsidized coverage for which they had not been eligible for prior to the implementation of the statewide negotiated agreement; but employees shall not lose access to any tiers of health benefit coverage for which they were previously eligible. For example:

   a) Employees who had access to employer-subsidized <u>single, two-person, parent/child[ren], or family coverage</u> prior to the implementation of the statewide negotiated agreement shall retain the right to remain in or elect any of those employer-subsidized tiers of coverage effective January 1, 2021;

   b) Employees who had access <u>to employer-subsidized single coverage only</u> prior to the implementation of the statewide negotiated agreement shall retain the right to remain in or elect employer-subsidized single coverage effective January 1, 2021, and, subsequently, at their discretion, may enroll in other tiers of employer-subsidized coverage in conformance with the terms below;

   c) Employees who had access <u>to employer-subsidized single and two-person coverage only</u> prior to the implementation of the statewide negotiated agreement shall retain the right to remain in or elect employer-subsidized single or two-person coverage effective January 1, 2021, and, subsequently, at their discretion, may enroll in other tiers of employer-subsidized coverage in accordance with the terms below;

   d) Employees who had access <u>to employer-subsidized single, two-person coverage, or parent/child[ren] coverage only</u> prior to the implementation of the statewide negotiated agreement shall retain the right to remain in or elect employer-subsidized single, two-person or parent/child[ren] coverage effective January 1, 2021, and, subsequently, at their discretion, may enroll in employer-subsidized family coverage in accordance with the terms below.

3. During the first year of this agreement (January 1 – December 31, 2021), school employees who previously did not have access to or had only limited access to employer-subsidized tiers of coverage shall, at a minimum, be guaranteed access to employer-subsidized single, two-person, and parent/child[ren] coverage in any VEHI plan.

4. Beginning the second year of the statewide agreement (January 1 – December 31, 2022), and for every year thereafter, school employees who previously did not have access to or had only limited access to employer-subsidized tiers of insurance coverage shall be guaranteed employer-subsidized access to <u>all four tiers of coverage</u> in any VEHI Plan.

5. Expansion of access to employer-subsidized tiers of coverage shall apply equally to all employees, regardless of work classification and bargaining-unit eligibility.

6. School districts and local unions may negotiate locally to <u>expedite the above timeline</u> to provide access sooner to additional employer-subsidized tiers of coverage for employees who previously did not have access to or had only limited access to employer-subsidized tiers of coverage. If they elect to do so, the cost-sharing terms for said coverage negotiated <u>at the state level</u> will apply in all circumstances.

7. The <u>premium contributions</u> of employees who become eligible for expanded tiers of employer-subsidized coverage in accordance with the timeline and terms above (Article X, numbers 3-5) shall be determined as follows:

   a) When employees who had access to <u>limited tiers</u> of employer-subsidized benefit coverage *prior* to the implementation of the statewide negotiated agreement (i.e., single-person only, or single and two-person only coverage, etc.) become newly eligible to enroll in other employer-subsidized tiers of coverage in any VEHI benefit plan, consistent with the terms above (Article X, numbers 3-5), they shall pay a premium contribution per elected tier of coverage in the benefit plan of their choice that is **EITHER** the same as they had been paying *before* becoming eligible to enroll in additional tiers of coverage **OR** fifteen (15) percent, <u>whichever amount is less</u>;

   b) When employees who were **not** eligible for any employer-subsidized benefit coverage in any VEHI benefit plan *prior* to the implementation of the statewide negotiated agreement become newly eligible to enroll in employer-subsidized tiers of coverage in any VEHI benefit plan, consistent with the terms above (Article X, numbers 3-5), they shall pay a premium contribution per elected tier of coverage in the benefit plan of their choice that is **EITHER** the same contribution being paid by employees in the same <u>general work classification</u> (e.g., educational support staff, teachers or administrators) who had been eligible for employer-subsidized benefit coverage prior to the implementation of the statewide negotiated agreement **OR** the amount of premium contribution that is being paid by **teachers** who had been eligible for employer-subsidized benefit coverage prior to the implementation of the statewide negotiated agreement, <u>whichever amount is less</u>.

8. During the transition to <u>expanded eligibility</u> for employer-subsidized tiers of coverage, employees shall have the option to allocate an employer's premium contribution toward their current tiers of coverage to a <u>more expensive or less expensive tier of coverage</u> in any VEHI plan for which they are not yet eligible for an employer subsidy, by <u>paying the difference</u> between the employer's premium contribution for the current tier of coverage and the full premium cost for the tier of coverage elected.

9. Employees who transition to single coverage with an employer-subsidy or who transition themselves and their dependents to benefit coverage with an employer subsidy in accordance with the terms above, will forfeit any <u>employer contribution to an FSA</u> that had been paid previously <u>to cover medical and pharmaceutical costs</u> for the employee alone or for the employee's dependents <u>before</u> the employee

became eligible for single or dependent benefit plan coverage with an employer subsidy. However, the employee may continue to receive an employer contribution to an FSA that had been negotiated or determined locally prior to the employee transitioning to an employer-subsidized health benefit, provided the FSA contribution is allocated exclusively for dental, vision and/or dependent care expenses.

Article XI: Out-of-Pocket Cost-Sharing: Employers & Employees

Medical Out-of-Pocket Costs – Deductibles, Co-Insurance and Co-Payments

1. For employees and their dependents enrolled in the **VEHI Gold CDHP**, employers will pay medical out-of-pocket (OOP) costs with first-dollar contributions equal to the dollar equivalents of the percentages below based on an employee's fiscal-year income:

    a) The employer shall pay **ninety-five (95) percent** of the maximum OOP costs for the VEHI Gold CDHP for an employee who earns **$45,000 or less.** The employee shall pay **five (5) percent** of the maximum OOP costs.

    b) The employer shall pay **ninety (90) percent** of the maximum OOP costs for the VEHI Gold CDHP for an employee who earns **$45,001 to 75,000.** The employee shall pay **ten (10) percent** of the maximum OOP costs;

    c) The employer shall pay **eighty-five (85) percent** of the maximum OOP costs for the VEHI Gold CDHP for an employee who earns **$75,001 or more.** The employee shall pay **fifteen (15) percent** of the maximum OOP costs.

2. For employees and their dependents enrolled in the **VEHI Platinum or Gold Plans (non-CDHP options)**, employers will pay medical OOP costs with first-dollar contributions equal to the dollar equivalents of the same percentages above based on an employee's fiscal-year income, but those contributions in total will be based on the maximum OOP costs of the **VEHI Gold CDHP.**

3. For employees and their dependents enrolled in the **VEHI Silver CDHP**, employers will pay medical OOP costs with first-dollar contributions equal to the dollar equivalents of the same percentages above based on an employee's fiscal-year income, but those contributions in total will be based on the maximum OOP costs of the **VEHI Gold CDHP.**

4. Employees are responsible for the payment of out-of-pocket costs for medical services attributable to deductibles, co-payments, and coinsurance charges after the employer's first-dollar portion has been allocated in full.

Article XII: Pharmaceutical (Rx) Out-of-Pocket Costs

Employers will cover one hundred (100) percent of the maximum pharmaceutical (Rx) OOP costs of the employee and the employee's dependents enrolled in any of VEHI's four benefit plans. Debit cards will be provided to employees to facilitate pharmaceutical charges.

Article XIII: Waiver of Coverage & Cash-in-lieu (CIL) of Benefits

1. Cash-in-lieu payment provisions currently permitted and administered in accordance with local collective bargaining agreements, school policies or individual employment contracts shall remain in force. They shall not be affected or altered by the terms of the statewide negotiated agreement on health benefits.

2. Current CIL waiver-of-coverage documentation provisions and payment protocols in local school districts shall also remain in force. They shall not be affected or altered by the terms of the statewide negotiated agreement on health benefits.

Article XIV: Transitioning to a Statewide TPA and TPA Services in the Interim

1. The parties will transition to a statewide system of administering HRAs and FSAs effective January 1, 2021.

2. A Third Party Administrator (TPA) with statewide duties will be jointly vetted and selected by the unions and VSBA, with outside assistance if needed.

3. Prior to the transition to a statewide TPA contract, HRAs, FSAs and HSAs will be administered in accordance with the TPA contracts in effect for the first half of FY21 (July 1, 2020 – December 31, 2020).

4. Locally negotiated or determined provisions that governed the payment of administrative fees for TPAs prior to the implementation of the statewide negotiated agreement, both for school employees in recognized bargaining units and those not in recognized bargaining units, shall also remain in force until the transition on January 1, 2021, to a statewide system of TPA administration.

5. Employers shall pay the administrative expenses charged by the TPA contracted to serve all school districts statewide effective January 1, 2021.

6. The TPA chosen for state-level responsibilities must be able to competently structure HRAs to make auto-payments to doctors and other health care providers, hospitals, clinics, and other centers of medical care.

Autopayment to providers will be the default payment method unless requested otherwise by employees.

7. The TPA chosen must be able to provide debit cards to facilitate payments when auto-payment is not an option (for example, at pharmacies). Debit cards must be provided to employees prior to January 1st of each year of this agreement.

Article XV: Health Reimbursement Arrangements (HRAs)

1. Employers will establish and maintain Health Reimbursement Arrangements (HRA) for all employees who elect benefit coverage for themselves and their dependents under any VEHI plan.

2. HRA funds will be used to pay for qualified medical and prescription expenses and track towards the annual deductible, co-payments or coinsurance required of the plan selected.

3. The length of run-out for HRA funds shall be one-hundred and eighty (180) days.

4. New employees hired at any point in the calendar year will be allotted their entire HRA amount.

Article XVI: Flexible Spending Accounts

1. Employers shall offer a Flexible Spending Account (FSA), in accordance with Section 125 of the Internal Revenue Code, to employees who elect to allocate funds to pay for qualified medical, pharmaceutical, dental and vision expenses not paid for by their insurance benefits.

2. Employers shall also offer employees access to a Dependent Care Reimbursement Account (DCRA), in accordance with Section 125 of the Internal Revenue Code, to cover qualified dependent care expenses.

3. All employees shall be eligible to avail themselves of their employer’s FSA or DCRA, irrespective of hours of employment or enrollment in their employer’s health plan.

4. Unused FSA funds shall be permitted to “carryover” at the end of a plan year to the maximum amount permitted under IRS regulations.

5. Once the parties move to a single, statewide TPA system, the FSA Plan year shall be a calendar year, with the open enrollment period set in January. An annual election period shall be held no later than the month of November or immediately thereafter.

6. The period to elect an FSA or DCRA for new employees shall run consistent with the terms of a school district's Section 125 Plan Document.

7. During each election period, eligible employees shall make a written election to decline or to participate in the FSA program. Employees who elect not to participate when first eligible will be prohibited from participating until the next annual election period.

8. During an election period, employees who wish to participate shall designate the portion of their calendar-year salary that they wish to have redirected to cover qualified medical, dental, vision and dependent care expenses, up to the maximum per plan year allowable under federal law. Such amount shall serve to reduce the employee's salary on a pro-rata basis each month consistent with a school district's established deduction practices.

9. In accordance with IRS regulations, any funds remaining in an employee's FSA ninety (90) days after the close of the plan year shall be forfeited and shall be used by the employer to offset the administrative costs of the program. Annually, during the first week of December, employers shall send notification of potential forfeiture to any employee with funds remaining in their FSA. The local union shall have the right to review annually district records pertaining to any savings and expenses related to the FSA program.

10. Employee premium payments will be made by payroll deduction on a pre-tax basis through a Section 125 Plan administered by the employer.

Article XVII: Termination of Contributions to Health Savings Accounts

1. Effective January 1, 2021, school districts shall cease making all contributions to employees' Health Savings Accounts (HSAs).

2. In conformance with IRS regulations, employees with HSAs shall retain access to and be permitted to issue monetary disbursements to themselves for qualified expenses from funds in established HSAs.

Article XVIII: Recommendations to VEHI from the Statewide Bargaining Committee

The unions propose that the parties act on the authority Act 11 confers on the Statewide Bargaining Commission to make recommendations to VEHI about its benefit plans and operations. Union members and their families, and even non-unionized employees, have shared a great deal with us about VEHI and its new benefit plans over the past 15 months. The unions will summarize later for the Commission what we have learned from our members about VEHI benefit design and other concerns that deserve to be brought to your attention and to VEHI's. For now, here are four starter topics on our list:

1. The unions propose that the commission urge VEHI to allow school personnel who are contracted by more than one school district a total of <u>a minimum of 17.5 hours per week</u>, but <u>less than that amount</u> of hours for <u>any one school district</u>, to enroll in a VEHI health benefit plan with employer premium and OOP cost subsidies shared between the employing schools. For many years, this was VEHI's policy.

2. The very high cost of medications for members in the Gold CDHP and Silver CDHP are causing hardships statewide, medical and financial. VEHI is aware of this. A significant number of school employees are finding it difficult to afford their first-dollar contributions or the full price of prescriptions at the point of service. We propose that the commission recommend to VEHI that it research and implement alternative methods of cost-sharing in future benefit designs for prescription medications that would reduce the number and severity of hardships resulting from most prescriptions in CDHP benefit options being subject to a high deductible.

3. Conversely, we propose that the commission commend VEHI for waiving cost-sharing on classes of "wellness drugs" that are prescribed to treat common and expensive chronic conditions like diabetes, asthma and high cholesterol in the Gold CDHP and Silver CDHP. This makes a lot of sense for both medical and cost reasons and, further, we propose that the commission recommend to VEHI <u>that it both retain and expand</u> this program for Rx services to benefit even more individuals with chronic conditions.

4. Given the large concentration of most school employees in just one of the four VEHI benefit plans – the Gold CDHP (90 percent enrollment) – we propose that the commission recommend to VEHI that it consider offering one comprehensive and affordable benefit option for active employees, rather than four. This would streamline educational, enrollment and general administrative responsibilities by employers, TPAs, VEHI and BCBSVT. It could also potentially make it easier to implement benefit design changes and innovations in the future that expand access to affordable and equitable health care while helping to control costs.

Article XIX: Post-Negotiations Troubleshooting and Implementation Assistance

The unions believe it would be beneficial for the Statewide Commission to consider if there is a need for the unions and VSBA to create an <u>implementation assistance system</u> or some other similar mechanism at the state level to help local unions and school districts understand the first statewide agreement fully and to assist them with the resolution of thorny benefit issues that we did not foresee or that arose as unintended consequences of our actions, and that do or may have statewide implications.

Again, all of us are on new ground operating under a very tight timeline with a lot of variables. We should give some thought about the kind of implementation assistance school districts and local unions might need as they transition to a state-bargained health care benefit for all public school employees and their dependents, and if there is a role for the commission to play in this regard.