

Bringing balance to health insurance costs through collective bargaining and other issues

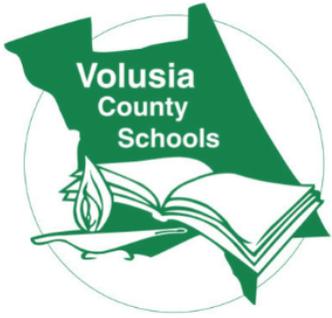
THE VOLUSIA COUNTY SCHOOLS EXPERIENCE

A PRESENTATION TO THE FLORIDA EDUCATIONAL NEGOTIATORS

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TAMPA, FLORIDA





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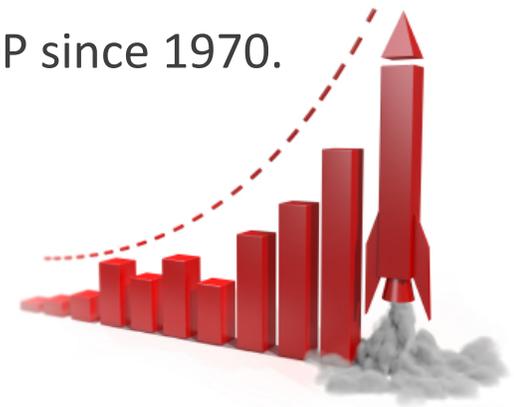
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National snapshot: Rising health insurance costs

- According to the Henry J. Kaiser Family Foundation:
 - Health care sector has grown faster than any other sector of U.S. economy.
 - Individual health insurance costs have skyrocketed:
 - In 1970, total health care spending was \$75 billion (\$356 person);
 - In 2010, total health care spending was \$2.6 trillion (\$8,042 per person)
 - Health care costs per capita have grown an average of 2.4% faster than the GDP since 1970.
 - Health care costs have exceeded economic growth in every recent decade.

Source: The Henry J. Kaiser Family Foundation, “Health Care Costs: A Primer”
(May 1, 2012)



How Volusia got into a health insurance crisis

- **Employee premium cap with fix dollar amount in CBA:**
 - Each collective bargaining agreement capped the employee's premium cost for single coverage to a fixed dollar amount of \$20 per month.
- **Large number of different plans offered with varied premium costs:**
 - As of 2015, the district offered 5 different health insurance plans with great variation in premium cost.
 - Ranging from \$438 - \$840 per month in cost to board
 - Each for \$20 per month to employee
- **Lack of adjustment of employee premium cap for 47 years:**
 - Employees paid \$5 from 1963 to 2010 for any health insurance plan.
 - From the Kennedy to the Obama administrations
 - Increased to \$20 per month in 2011.



How Volusia got into a health insurance crisis (cont'd)

- School board's health insurance costs more than doubled from 2001 – 2015 despite employing fewer employees:
 - 2001: \$21.4 million
 - 2015: \$54.1 million

153% increase



**Group Health Insurance Expenditures - 15 Year Analysis
All Funds**

Year	obj	Description	Expenditure
2001	231	Group Insurance - Health	\$21,367,402.59
2002	231	Group Insurance - Health	\$24,996,716.89
2003	231	Group Insurance - Health	\$29,627,112.18
2004	231	Group Insurance - Health	\$32,841,831.79
2005	231	Group Insurance - Health	\$35,782,427.78
2006	231	Group Insurance - Health	\$41,936,912.39
2007	231	Group Insurance - Health	\$45,101,935.38
2008	231	Group Insurance - Health	\$48,494,273.33
2009	231	Group Insurance - Health	\$46,922,681.28
2010	231	Group Insurance - Health	\$51,620,062.94
2011	231	Group Insurance - Health	\$55,611,431.84
2012	231	Group Insurance - Health	\$52,623,900.02
2013	231	Group Insurance - Health	\$49,989,716.75
2014	231	Group Insurance - Health	\$50,039,661.77
2015	231	Group Insurance - Health	\$54,123,919.19

How Volusia got into a health insurance crisis (cont'd)

- Volusia offered highest health insurance subsidy when compared to any other known Florida school district at up to nearly \$840 per month
 - Documented as highest when compared with its 6 bordering districts.
 - Employee cost for single coverage capped at \$20 per month.
- Volusia offered \$0 deductible plans
 - Bordering Flagler offered minimum deductible of \$2,500 with higher average teacher salary
- Volusia offered 5 different health insurance plans
 - 2nd highest number of plans offered when compared to bordering districts.



Challenges of health insurance cost imbalance

- Loss of salary competitiveness
 - May impact recruitment and retention
- Unions may disregard value of benefits as part of total compensation
- Younger employees may put greater value on salary over benefits
- Insulation of employees from health insurance market realities makes later reform more difficult;
 - Complex topic
- Criticism by tax payers and business community
- The snowball effect
 - Impacts grow over time.



Step 1: Gather information

- How much does your board pay for employee health insurance?
- How have those costs changed over time?
- How do those costs compare with local, state and national trends?
Other area districts?
- How many health insurance plans do you offer?
- What is the quality and value of each health insurance plan?

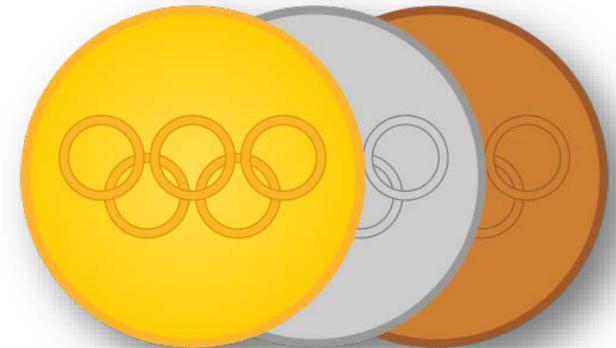


Example of comparison document

Comparison To Bordering School Districts

	Volusia	Brevard	Flagler	Lake	Marion	Seminole	Putnam
No. of health insurance plans	5	2	3	4	4	6	4
Proposed:	4						
Minimum deductible	\$0.00	\$500.00	\$2,500.00	\$0.00	\$500.00	\$400.00	\$300.00
Maximum deductible	\$1,050.00	\$1,500.00	\$3,000.00	\$1,500.00	\$2,500.00	\$1,500.00	\$3,000.00
Proposed With Standard Plan:	\$1,500.00						
Minimum employee monthly cost	\$20.00	\$106.67	\$54.40	\$24.65	\$0.00	\$0.00	\$103.32
Maximum employee monthly cost	\$20.00	\$106.67	\$230.72	\$120.66	\$213.25	\$145.83	\$476.45
Proposed With Standard Plan:	\$0.00						
Minimum Employer monthly cost	\$434.81	\$614.23	\$468.32	\$468.37	\$423.22	\$598.93	\$450.00
Maximum Employer monthly cost	\$839.55	\$614.23	\$468.32	\$520.88	\$451.46	\$687.14	\$450.00
Proposed:	\$482.30						
Starting teacher salary	\$37,000	\$37,840	\$38,213	\$38,500	\$36,600	\$38,000	\$36,251
Average teacher salary	\$44,250	\$46,266	\$52,646	\$43,147	\$45,176	\$47,028	\$46,775
Average years of experience	13.09	14.19	11.32	9.87	13.02	12.63	11.53

- Assign a medal rating to each health insurance plan
 - Use methodology of federal Health Insurance Marketplace.
 - Platinum
 - Gold
 - Silver
 - Bronze



Demonstrate increased subsidies over time

Group Health Insurance Expenditures - 15 Year Analysis All Funds

Year	obj	Description	Expenditure
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Demonstrate employee costs over time



HISTORICAL REVIEW OF HEALTH INSURANCE RATES

1963-2016

<u>YEAR</u>	<u>EMPLOYER CONTRIBUTION</u>	<u>EMPLOYEE CONTRIBUTION</u>
1963-1964	Information not available	\$5.00
1964-1965	Information not available	\$5.00
1965-1966	Information not available	\$5.00
1966-1967	Information not available	\$5.00
1967-1968	Information not available	\$5.00
1968-1969	Information not available	\$5.00
1969-1970	Information not available	\$5.00
1970-1971	Information not available	\$5.00
1971-1972	Information not available	\$5.00
1972-1973	Information not available	\$5.00
1973-1974	Information not available	\$5.00
1974-1975	Information not available	\$5.00
1975-1976	Information not available	\$5.00

Step 2: Analyze collective bargaining agreements

- How does your CBA address health insurance costs?:
 - Does it include a fixed dollar amount to be paid by the employee (prior Volusia model)
 - Does it include a fixed dollar amount to be paid by the board? (current Volusia model)
 - Does it include a percentage cost to be paid by the employee or employer?
- How does the term of you CBA align with your health insurance plan year?
 - Volusia's CBA runs from a fiscal year beginning on July 1 and ending on June 30
 - Volusia's health insurance plan year runs from October 1 and ends on September 30
- Does CBA address how health insurance plans are selected by the board?
 - Utilize advisory employee insurance committee model?
 - Decided solely by board without recommendation by committee?
 - Subject exclusively by the collective bargaining process?



Step 3:

Share facts with employees

- Educate employees on value of total compensation package
 - Salary
 - Health insurance subsidy
 - Retirement contributions
 - Stipends and supplements
 - Other insurance subsidies
 - Any other income

- Send out total compensation package statements to all employees.



Step 4: Prepare your board

- Present compiled information
- Present options
- Prepare a schedule that anticipates:
 - the possible need to complete the impasse process
 - sufficient time to:
 - complete the collective bargaining process;
 - select a health insurance provider; and
 - educate employees in order to make informed decision.
- Consider option of seeking multi-year settlement



Step 5: Share facts with community

- If there is an imbalance in health insurance costs, share the facts with stakeholders
- Brief community groups and media on public education funding
 - School boards have control over only approximately 12% of funds
 - School boards do not have the same local control as municipalities and counties
- Explain the problem and the why
 - Illustrate the imbalance and how it hinders desired salary increases
 - Compare how benefits compare with local employers
- Maintain website page dedicated to negotiations
 - Post all proposals exchanged at the table
 - Prepare updates after each session
 - Consider video taping negotiating sessions



Step 6:

Commence negotiations as early as possible

- Start early and allow sufficient time to have dialogue with union at the negotiating table
 - Attempt to share information with union to promote providing accurate information
 - Union may engage in scare tactics and misinformation when communicating with employees
- Consider seeking reforms in a closed book year
 - Allow time to focus on such a complex issue
- Bring in health insurance consultant or staff to table
 - Explain plan options and impacts of proposed changes to the employee
- Be mindful of health insurance plan year if it does not coincide with CBA term
 - Unresolved negotiations or impasse proceedings into next health insurance plan year increases risk of disruption to employees
 - Decision of school board at impasse will take effect on the date of the impasse decision for the remainder of the fiscal year and establishes status quo even if process extends beyond term of CBA. Section 447.403(4)(e), Fla. Stat.



Negotiation process in Volusia

- Board initially proposed 2 year settlement in October 2015 which:
 - Provided for no raise in year 1 but raise in year 2
 - Converted \$20 cap on health insurance plan to a fixed cap on Board's subsidy starting in year 2
 - Fiscal year starts on July 1
 - Health insurance plan year starts on October 1
- Union insisted on 1 year settlement with no change to \$20 health insurance cap
- Special magistrate process invoked by Union
 - Special magistrate recommends 2 year settlement providing for raise in year 1 and requiring parties to negotiate health insurance changes in year 2.
 - Both sides rejected recommendation
- Board rendered impasse decision in May 2016



Negotiation process in Volusia (cont'd)

- Primary union argument during negotiations:
 - Board cannot introduce a change to its health insurance subsidy on the last day of the contract year, June 30.
- Board's negotiating team response:
 - State law provides that impasse decision establishes the status quo and that cap can be the subject of negotiations in the following negotiating cycle.
 - Only practical solution since new health insurance plan year begins on October 1.

The Law

- It is well established that an impasse decision of a board has lawful effect and, if made at the end or after the fiscal year, establishes the status quo basis from which negotiations work from in the following year.
 - *City of New Port Richey v. Hillsborough County Police Benevolent Association*, 10 FPER ¶ 15191 (1984)
 - Even though those terms could not be enjoyed in fiscal year because that year had already passed, they would have constituted the status quo pending negotiations for the next year.



The Law (cont'd)

- Terms and conditions imposed by legislative body action become status quo to be applied following expiration of the impositions.
 - *City of Watertown and Jefferson Local 823, Watertown City Unit*, 15 FERB 4558 (1982).



Breakthrough in negotiations

- Union filed two unfair labor practice charges against the Board to overturn its impasse decision.
- Despite prior threats, the union never filed an unfair labor practice charge on the issue of health insurance
- Shortly before the ULPs went to hearing, the parties returned to the table.
- For the first time, the Union agreed to the concept of a fixed dollar cap on the Board's health insurance subsidy.
 - That movement broke the log jam.



Two-Year Settlement Achieved

- Replaced fixed dollar cap on employee health insurance premiums with cap on board's contribution
 - \$20 employee cap replaced with board subsidy cap of \$531 per month
 - Board's exposure reduced from \$840 to \$531 per month
 - All savings directed to employee raises.
 - Savings exceeded \$9 million per year
- Reduced plan offerings from 5 to 4 plans.
- Led to Gold medal health insurance plan equivalent being available for \$0 premium this year for single coverage.
- Entered into 2-year settlement providing for average raises of:
 - 6.75% for teachers
 - 8.75% for support staff



Another contentious issue: Teacher evaluations

- Union argued that teacher evaluation procedures must be bargained
- Existing CBA language established joint union-management advisory committee to develop recommended changes to evaluation procedures.
 - Recommendation submitted to the superintendent for final action.
- Board's negotiating team took position this was not a mandatory subject of bargaining but authority vested exclusively with the superintendent.
 - also recognized right to bargain impacts

Another contentious issue: Teacher evaluations (cont'd)

- Section 1012.34(1)(a), Fla. Stat. provides:
 - *For the purpose of increasing student academic performance by improving the quality of instructional, administrative, and supervisory services in the public schools of the state, the district school superintendent shall establish procedures for evaluating the performance of duties and responsibilities of all instructional, administrative, and supervisory personnel employed by the school district.*

(emphasis added)

Another contentious issue: Teacher evaluations (cont'd)

- State DOE, not district school board, must approve each district's system and to monitor compliance. Section 1012.34(1)(a), Fla. Stat.
- Unlike section 1012.22(c), which requires a school board to implement a performance salary schedule, section 1012.34(1)(a) grants exclusive authority to the superintendent to establish evaluation procedures.



Questions and Comments

