



## **Lincoln-Sudbury School Committee Digest** **January 17, 2012**

On Tuesday, January 17, the L-S School Committee held a regularly scheduled meeting.

Topics for discussion and/or action included:

- A discussion and vote to ratify the Memorandum of Agreement Regarding Health Insurance
- An Update on the FY13 Preliminary Budget

### **Discussion and Vote to ratify the Memorandum of Agreement Regarding Health Insurance**

LSSC Chair Nancy Marshall provided an overview with regard to LSRHS health insurance premium costs in recent years, and the process that began in the fall of gathering rate information from a number of providers and working with Insurance Consultants EBS Foran to understand the new Massachusetts legislation governing municipal health insurance. EBS Foran was also briefed by the Committee to provide a grid of rates for FY13, to consider MA Group Insurance Commission (GIC) lookalike plans from a number of health insurance providers, including Minuteman Nashoba Health Group (MNHG), the current joint purchasing group for health insurance for the District. Rates were offered by the providers within MNHG at a much earlier point in time this year than is the normal practice, given the need for many Districts and Municipalities to decide within a very short window early in 2012 to make critical decisions around providers and the means by which to proceed with regard to health insurance, within or outside of collective bargaining, as provided for in the recent legislation.

The Committee gave serious consideration to what information was available with regard to the GIC. Given the known, published and highly competitive rates with MNHG that were well-within the State's requirements for plan design and cost, versus unconfirmed rates, unknown timing for rate publication and other ongoing uncertainties about the GIC, MNHG was an appropriate decision for the Committee for health insurance for the District.

Nancy invited discussion with regard to the negotiation and agreement with the Lincoln-Sudbury Teachers Association regarding health insurance. Mark Collins, a member of the LSSC Negotiations Sub-Committee, outlined the agreement:

- The Agreement is estimated to save the District approximately \$200,000 in the first, year, pending final enrollments in late spring, net of mitigation (mitigation details in bullet #3).
- The Agreement implements proposed design changes as outlined by the current provider, Minuteman Nashoba Health Group, and aligned with the requirements of the State insofar as being a "GIC-lookalike" array of plan options and costs.
- The Agreement includes a mitigation plan, establishing an HRA to help offset increased co-pays and deductible costs to employees in the amount of \$100,859, to be spread over a three-year period.
- The Agreement holds contribution rates at 70%/30% employer/employee for plans excluding indemnity (PPO/POS) plans.
- The Agreement includes a change in contribution for any employee opting to choose an indemnity (PPO/POS) plan after January 17, 2012. Employees who change after this date will increase their contribution to 40% for FY13 and 49% for FY14 and any year thereafter.
- A one-year, one-time only incentive will be offered for employees who move to a less-expensive plan, at a rate of \$250 for an individual, \$800 for family plans.

In closing, Mark spoke to the long history of the School Committee working well with the faculty and Teacher's Association in matters surrounding collective bargaining. Twelve years ago, the Teachers' Association agreed to contribution rates of 75/25% and in the current Collective Bargaining Agreement for FY09-FY12, the TA moved to 70/30%, and made significant movement to less expensive health insurance plans that resulted in savings to the District. Mark expressed his appreciation to all involved for their long hours and effort in understanding the new legislation and coming to an agreement that will provide the district with cost avoidance measures on health insurance that will allow funds to be re-directed to other priorities in the budget. In negotiating the Agreement, the District and Teachers' Association were able to address and settle all matters relating to health insurance, including contribution rates for the most

expensive plans. Radha Gargeya added that the Committee used the new Massachusetts Municipal Health Insurance Law as the guiding framework. The District realized the required cost reductions of health plan design but went further and negotiated with the TA by settling all health insurance-related areas including contribution percentages.

The motion to ratify the agreement was offered, seconded, and voted unanimously.

Director of Finance Judy Belliveau will facilitate a visit to campus by Minuteman Nashoba and the various insurance providers to thoroughly outline the new plan designs. Thanks were expressed by the School Committee to Judy Belliveau for facilitating data collection and discussion, the consultation with EBS Foran, to the Teachers' Association for their efforts in reaching agreement, and to LSRHS Legal Counsel Marc Terry.

### **Update on FY13 Preliminary Budget**

Judy Belliveau provided a Power Point presentation to the Committee, further refining data and receiving comments and questions from the Committee regarding the FY13 budget information as preparations are made to present final budgets to both towns' Finance Committees. Budget assumptions currently employed have remained constant, as outlined by the Sudbury Finance Committee:

- Level staffing moving up on steps
- No COLA included, given collective bargaining negotiations are currently underway
- Currently known and projected costs for utilities, Special Education and other contracts
- Health Insurance projected with plan design changes and estimated mitigation plan. Current estimates for savings, excluding mitigation, based on a budget with no plan design change, is \$200,000.
- Level funding of general expenses
- Fees for athletics, activities and other programs held level
- Level State Aid
- Circuit Breaker Reimbursement held at 60%

Scott and Judy both cautioned the Committee that this is an evolving document, given the unknowns with regard to final Special Education tuition costs and final enrollments for health insurance. The dominant expense driver for FY12 is Special Education Out-of-District (OOD) tuitions, which have seen an increase of 28% in FY12 and are projected to increase at the same rate or higher for FY13. Between FY09 and FY12, Special Education tuition costs have doubled, from \$2 million to \$4 million, against a budget that has seen increases in line with Proposition 2 1/2, averaging \$500,000 - 600,000 in additional funding each year.

The District will make an application in February for Extraordinary Relief funding from the Department of Elementary and Secondary Education, which provides districts experiencing greater than 25% increases in OOD tuition costs an opportunity for additional aid. Extraordinary Relief applications in FY11 did not fully utilize the \$3 million in funding that was made available, and the amount was increased to \$5 million for FY12. Should the District receive the maximum amount for which it is eligible, there will be an opportunity for some funds to be carried over into FY13, somewhat mitigating the projected increases in tuitions. The maximum amount the District would be eligible to recover is \$621,366, of which \$400,000 is necessary to avoid further staffing reductions or accessing reserve funds for the District. If the maximum amount is funded, approximately \$200,000 could be carried over to FY13 to offset further increases in tuitions. The District will apply for Extraordinary Relief in February and be notified of funding sometime in May. The amount awarded to LSRHS will be dependent upon the number of other districts making application and the amount of each request. It is projected that LSRHS may also need to make a second application for Extraordinary Relief in FY13.

While the negotiations with the Teachers' Association have contributed to a substantial reduction in cost for health insurance for FY13 and reduced liability for the District with regard to more expensive plans – PPO/POS plans - that may be chosen by employees, there still remains a shortfall in the budget that with currently known information translates to a reduction of approximately 5 FTE's should LSRHS receive the maximum permitted amount of Extraordinary Relief Funding, or 8FTE's should LSRHS receive no funding. Cost

controls are being maximized across the board within the District, but given the rising cost of Out-Of-District tuitions is far outpacing the expectation for revenue from the State from the towns, a balanced budget for FY13 will require a fifth year of staffing reduction. Level funding of the budget for non-salary basics is essentially a reduction in the amount available for the District, as costs for non-salary expenses will have risen over the past year.

Kevin Matthews queried whether there might be an opportunity to discuss a change in the Regional Agreement between the towns to adjust the assessment particular to the fixed costs for the building.

Scott cautioned that the current projections are based on known Out-Of-District costs, and further reduction may come about should other information reveal further increases in tuition costs.

Radha Gargeya spoke with regard to the recent presentation by US Congressman Ed Markey at the Wayside Inn. Markey now represents Lincoln and four precincts in Sudbury as a result of Federal redistricting. Radha spoke with a legislative aide of Markey's about the Out-of-District issues and hopes to continue a dialogue over the next few months.