

**BARGAINING PROPOSAL  
FROM THE  
EMPLOYEE UNIONS OF THE LAUSD HBC  
FOR A 2018-2020 HEALTHCARE AGREEMENT  
WITH THE  
LOS ANGELES UNIFIED SCHOOL DISTRICT  
December 18, 2017**

**I. PURPOSE**

The terms and conditions of this 2018-2020 Healthcare Agreement (“Agreement”) constitute the successor agreement to the 2015-2017 Healthcare Agreement. This Agreement is intended to accomplish the following:

1. Establish and maintain stability in the delivery, annual cost, and level of District contributions to employee and retiree healthcare.
2. Mitigate, if not remove, the necessity for annual negotiations over matters relating to the cost of healthcare.
3. Provide sufficient resources for the Health Benefits Committee to ensure the same level of healthcare for employees and retirees through an annual increase to the District’s contribution.
4. Define the annual increase in the District’s contribution.
5. Emphasize the critical role of the Health Benefits Committee (“HBC”) to contain costs within the annual “budget” for healthcare (plus reserve funds) through plan design.
6. Incentivize the HBC to continue to find cost savings and enact, in a timely and preventive manner, meaningful changes to District plan designs and to take whatever measures are necessary to “live within” the healthcare budget as set forth herein.
7. Address meaningfully the District’s growing unfunded liability resulting from other post-employment benefits (OPEB) in accordance with GASB 75.

**II. ROLE AND OPERATIONS OF THE HEALTH BENEFITS COMMITTEE (“HBC”)**

1. Plan Consultant: A consultant shall be mutually selected by the HBC and the District, and will remain in a contractual relationship with the District. If the parties cannot reach mutual agreement, the contract for the consultant shall be recommended by the HBC, subject to District contract approval processes and final approval by the Board of Education. Such approval shall not be withheld except for good and sufficient cause.
2. HBC Responsibility for Plan Design: The HBC shall be responsible for proposing all plan design modifications, including but not limited to co-pays, deductibles, premium contributions and assessments, and selection, addition, termination of health plans/providers for all active and retired employees. Any such changes shall only be implemented upon action by the HBC and in accordance with the provisions of this Agreement.
3. Board Approval of Contracts: All vendor contracts shall be negotiated by the HBC and/or its designated representative(s), in accordance with District procurement rules and related policies. Such contracts shall be subject to Board of Education approval, which shall not be withheld except for good and sufficient cause.

4. Components of District Contribution: The District's annual "total contribution" or "total aggregate contribution" amounts as set forth throughout this Agreement represent the complete and total amount of such contribution from all sources. Therefore, while sources such as interest earned on the health fund, Medicare D reimbursements, or any other rebates or refunds, e.g. EGWP savings, may be utilized by the District to contribute to its total contribution amounts, they shall not be utilized to increase such contribution obligations beyond the amounts set forth herein.
5. Administrative Costs: The District's annual contribution shall include, as an expense to be covered by the health fund, costs associated with administration of the health fund. By May 15 of each plan year covered by this Agreement, the District shall provide the HBC with an itemized report on the administrative costs incurred in the previous plan year. Legal costs for outside counsel in defense of claims against the District arising out of decisions or actions by the HBC and/or the District arising under this Agreement shall be treated as administrative costs, and the District and HBC shall cooperatively consult regarding selection of such counsel, defense strategies to be employed, scope of work, and estimated costs.
6. Unspent Reserve Funds: Any unspent funds in the health fund (after all of the prior year's costs have been covered) shall remain as an ending balance in the fund and carried over as a beginning balance to the next calendar year. Such Plan funds are referred to herein as the "reserve fund," the "reserve account," the "carryover balance(s)," or the "beginning balance(s)." Such a balance shall only be used to offset increases in benefits costs if the required District contribution for a subsequent plan year is insufficient to cover the aggregate cost increase for that Plan year.
7. HBC's August 1 Obligations: The HBC shall take action and the parties shall ratify agreements by August 1 of the prior year, that result in a total projected health benefits cost for the upcoming year that does not exceed the District's contribution set forth below, plus available carryover "reserve fund" balances.
8. Cooperation between HBC and the District: It is agreed that the arrangements and relationships between the HBC and the District are to be approached on a mutually cooperative and professional basis, with full reciprocal disclosure of Plan-related data and practices.

### **III. PROCEDURES REGARDING POTENTIAL SHORTFALL IN HEALTH FUND**

1. Quarterly Report: The Plan Consultant/District shall report to the HBC and all participating unions/associations on a quarterly basis regarding the status of the Health Fund. Such reports shall indicate whether the full accrued or incurred expenditures from all components of the Health Plan are projected to exceed budgeted Health Fund revenues and carryover "reserve fund" balances. This determination shall be made based on claims experience and expenses to date, projected according to objective, industry-based and historical trends to yield an annualized projection of total expenditures.
2. Required Plan Design Changes: If any two consecutive reports project a shortfall, the HBC shall immediately consider plan design changes pursuant to this Agreement to negate the projected shortfall within the applicable calendar year. If the HBC fails or refuses to take action to negate the projected shortfall, or if the District asserts that the proposed HBC action is insufficient to negate the projected shortfall, the dispute resolution procedures of this Agreement shall apply.

### **IV. CONTRIBUTIONS TO THE HEALTH FUND 2018-2020 PLAN YEARS**

1. Base Contributions: The total per-participant base contribution amounts for 2017 were \$14,012.99 per active enrollee, \$20,449.46 per retired pre-Medicare-eligible enrollee, and \$7,111.07 per retired

Medicare-eligible enrollee. The District's 2017 total estimated aggregate annual contribution obligation was \$1,153,100,000.

2. 2018 Contributions: The District's aggregate contribution to the health fund for 2018 shall be \$1,153,100,000.
3. 2019 Contributions: The District's aggregate contribution to the health fund for 2019 shall be \$1,153,100,000.

2019 Maintenance of Reserve Fund: Notwithstanding the provisions above, if the unspent reserves are less than \$175,000,000 at the end of the 2019 Plan year, the District contribution for the 2019 Plan Year shall be increased to ensure unspent reserves of no less than \$175,000,000 at the end of the 2019 Plan year.

4. 2020 Contributions: The District's aggregate contribution to the health fund for 2020 shall be \$1,153,100,000.

2020 Maintenance of Reserve Fund: Notwithstanding the provisions above, if the unspent reserves are in excess of \$150,000,000 at the end of the 2020 Plan year, the District contribution for the 2020 Plan Year shall be reduced to ensure unspent reserves of no more than \$150,000,000 at the end of the 2020 Plan year. If the unspent reserves are less than \$150,000,000 at the end of the 2020 Plan year, the District contribution for the 2020 Plan Year shall be increased to ensure unspent reserves of no less than \$150,000,000 at the end of the 2020 Plan year.

## **V. EXTENSION OF AGREEMENT**

This Agreement shall be extended for the 2021 Plan year if the projected aggregate cost increase for active employee, pre-Medicare retiree, and Medicare eligible retiree healthcare is no greater than 12% over the 2017 District contribution of \$1,153,100,000. If the Agreement is extended in accordance with the provisions above, the District's aggregate contribution to the healthcare fund for 2021 shall be \$1,291,472,000 which will be an increase of \$138,372,000 (12%) over the base contribution for 2017.

## **VI. DISPUTE RESOLUTION PROCEDURES**

1. The following types of disputes are subject to the resolution procedures set forth below:
  - a. If the HBC fails to take action by August 1 of any given year to contain healthcare costs that are projected to exceed the District contribution obligations and carryover "reserve fund" balances, or there is a disagreement over whether the proposed plan changes would contain healthcare costs within the District contribution obligations and carryover "reserve fund" balances, or over whether the District has fulfilled its contribution obligations under this Agreement, see Section 2 below.
  - b. If there is a dispute as to whether the Board of Education has withheld approval of an HBC negotiated vendor contract without good and sufficient cause, see Section 3 below.
  - c. If there is a claim by the District that a proposed action is illegal, see Section 4 below.
  - d. If there is a claim asserted by the District that a planned change would be inequitable and/or would adversely impact the best interests of the District and/or its present or future plan participants, see section 5 below.

2. The expedited arbitration process for resolving disputes as to whether proposed plan changes will contain healthcare costs within District contribution obligations and carryover “reserve fund” balances or whether the District has fulfilled its contribution obligations under this Agreement are as follows:
  - a. The HBC and/or the District shall request expedited arbitration in writing. The issues in dispute shall be submitted to expedited binding arbitration before a three-person panel comprised of one union/HBC representative, one District representative, and a third neutral panel member agreed to by the first two panel members or, failing that, from a list provided by the California State Mediation and Conciliation Service. Such selection shall occur within three (3) work days of written request by the HBC and/or the District.
  - b. Such arbitration shall occur within five (5) work days of written request by the HBC and/or the District.
  - c. The sole issues for arbitration shall be whether the HBC plan design recommendations contain costs within the District contribution obligation plus carryover “reserve fund” balances and/or whether the District has fulfilled its contribution obligations under this Agreement. The arbitration panel shall have no authority to increase the District’s contribution as set forth in this Agreement. The arbitration panel shall issue a written decision no later than three (3) work days following the hearing.
  - d. If the arbitration panel decides that the HBC plan recommendations do not contain costs within the District’s defined total contribution obligation plus carryover “reserve fund” balances, the panel shall refer the issue of plan design back to the HBC. The HBC shall then have up to seven (7) working days from the date of the panel’s decision to submit a new plan recommendation to the Panel and to the District. The arbitration panel shall thereafter have five (5) working days to provide a written decision as to whether the amended plan contains costs within the District’s defined total contribution obligation plus carryover “reserve fund” balances.
  - e. If after exhaustion of the procedures set forth above, the HBC fails or refuses to take action to contain healthcare costs within the District’s contribution obligation plus carryover “reserve fund” balances, the parties shall proceed to bargaining within five (5) work days and the impasse resolution procedures of the Educational Employment Relations Act shall be applicable.
3. The expedited Arbitration Procedures if the HBC claims that the Board of Education has withheld approval of an HBC negotiated vendor contract without good and sufficient cause are as follows:
  - a. This procedure is available only if invoked in writing by the HBC no later than five (5) calendar days from the date the Board of Education declines to approve the HBC designated vendor.
  - b. The issue shall immediately be submitted to expedited binding arbitration, before a panel, in accordance with the procedures of Section 2.a. and Section 2.b. above.
  - c. The sole issue for arbitration shall be whether the District’s Board has withheld such approval without good and sufficient cause. The arbitration panel shall issue a written decision no later than three (3) work days following the hearing.
  - d. If the arbitration panel decides that the Board’s action was taken without good and sufficient cause, the panel shall direct the District to approve the vendor contract in dispute. If the arbitration panel decides that the Board action was taken for good and sufficient cause, it shall

remit the matter to the HBC to renegotiate the vendor contract consistent with the cause found, for re-submittal to the Board for its requested approval.

4. The Procedures if the District asserts an HBC proposed action is illegal are as follows:
  - a. If the District asserts that any proposed action of the HBC would be illegal, it shall notify the HBC as soon as possible in writing, together with a brief summary of legal authorities and reasoning for this assertion.
  - b. The HBC may respond to the District in writing within five (5) work days with a brief summary of legal authorities and reasoning in support of its position that the proposed HBC action is legal. If the HBC does not submit such writing within this time frame, the HBC shall propose new action which complies with the District's legal opinion. The District shall notify the HBC within five (5) workdays of such HBC response as to whether the District has changed or maintained its opinion on the legality of the proposed HBC action. In any event, the HBC's proposed action shall comply with the District's legal opinion.
5. Mediation procedure if District asserts that a planned change would be inequitable and/or would adversely impact the best interests of the District and/or its present or future Plan participants:
  - a. If the District makes the assertion stated in section 5 immediately above, it shall notify the HBC as soon as possible, whereupon the matter shall be submitted to mediation immediately.
  - b. The parties may agree on a mediator or request a mediator from the California State Mediation and Conciliation Service.
  - c. The mediation shall be held as soon as possible, but in no event later than ten (10) work days following selection of the mediator.
  - d. The mediation shall last no longer than one (1) day, at the end of which the mediator shall inform the parties verbally of his/her recommendations. The mediator shall provide the parties with a written summary of such recommendations within three (3) workdays following the mediation.
  - e. The parties shall consider the recommendations of the mediator to determine whether agreement can be reached on the HBC's recommendations. To whatever extent agreement cannot be reached, the HBC's planned change (whether modified or not) shall be implemented.

## **VII. WITHDRAWAL FROM HBC**

No later than October 31 of any given year, each union shall have the option of informing (in writing) the HBC of its intention to remove its pro-rata share of healthcare expenditures (based on the active and retired participants represented by each union) and to establish a separate plan for its participants to be implemented by the second January 1 upcoming (e.g., a notice given October 30, 2018 would be subject to implementation by January 1, 2020).

## **VIII. ALTERNATIVES TO REDUCE UNFUNDED LIABILITY FOR RETIREE HEALTHCARE**

The parties agree to discuss alternatives for reducing the District's unfunded liability for retiree healthcare that is the subject of GASB 75.

## **IX. IMPACTS OF LEGISLATION**



Approved and adopted by the LAUSD Board of Education:

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LAUSD Board of Education President

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Date