The interesting story of the relationship between the Clark County School District (CCSD) and the Teacher’s Health Trust (THT) goes back to 1983. According to a letter from the CEO of the THT, Peter Alpert, this relationship encountered its first major rift in 2011 when THT sought to nominally increase the teacher’s paycheck deduction (the amount of money automatically subtracted from their paycheck) by about $5.00 to $8.00 per paycheck, depending upon the particular plan in which a teacher participates. This move was an attempt by THT to keep up with skyrocketing medical costs. CCSD split with THT and strongly resisted this move (apparently to the surprise of many) calling it illegal. As Mr. Alpert’s letter explains, “These nominal increases were designed to provide the Trust with additional funds to pay the inflationary costs being incurred by teachers in accessing their benefits.” Some were surprised at CCSD’s posture on this premium increase, especially since the additional money would not come from CCSD’s pocket – because the teachers would be paying the increase, it would be coming from their current salary. Lisa Muntean, also the teachers union’s negotiation chairwoman,  stated “The money that we’re spending is our own money,” Muntean said. “This has nothing to do with district money.” “We have been doing business with the district for 29 years, and we’ve always had an excellent working relationship ... until now,” Alpert stated echoing Muntean’s consternation. “They’ve done a complete turnaround. I’m frankly shocked.”

John Villardita, the union’s executive president at the time, read sinister motives behind the districts actions. “The district’s action is designed to create financial instability in the Teachers Health Trust,” Vellardita said. “The purpose is to bleed the Teachers Health Trust dry so they can move teachers to a private health insurance plan.” This sentiment was countered by CCSD officials who contend that the THT action was illegal and violated its contract with teachers. Edward Goldman, an associate superintendent with CCSD who also headed the district’s collective bargaining negotiations further added that CCSD could get the teachers better healthcare at lower cost if the teachers decided to join many other county entities who currently contract with UnitedHealthcare. He also pointed out other benefits, such as nationwide coverage, that would result from the teachers merging with other groups under UnitedHealthcare.

Apparently partly as a result of THT’s and CCSD’s reluctance to compromise coupled with the continuing relentless rise in medical costs, by 2013 THT was bleeding money - their assets had declined by more than $5.5 million in Fiscal Year 2011 and more than $8.6 million in Fiscal Year 2012 and predictions were that it would go “belly up” within a matter of months. It didn’t come as too much of a surprise when in May 2015 (yes it lasted that long) THT announced to its teachers that the trust would change its benefits (effective July 23, 2015) to incorporate a higher catastrophic limit (the maximum out-of-pocket costs per annum), and introduce a slew of co-insurance payments that would substantially increase costs to their membership. A hospitalization that would have cost a maximum of under $1,000.00 could now easily reach the $6,600.00 catastrophic limit.

This background is being presented so that the reader will understand the basic strategic situation that exists between CCSD and THT at the present time, and it will facilitate a discussion of the mathematical game theoretical analysis that is presented below. Mathematical modeling – especially game theory - is often used by stakeholders to explain why and how a selection of strategies occurs, how impasses occur, and how they are likely to play out over time. Although it will help if you have some background in game theory and have seen a 2x2 analysis before, I will walk you through the basics.

If we assume the assumptions and priorities of both THT and CCSD stem from each of their own perspectives and then determine how each would rank a series of situations from 4 (meaning the most desirable), 3 (not as desirable), 2 (even less desirable) and 1 (least desirable) we can then construct a 2x2 square suitable for calculations.

The first analysis will explore the decision made by THT in 2011 to maintain benefits (it could have also cut them at that time rather than waiting until 2015) and the parallel decision by CCSD to not allow paycheck deductions for teachers (it could have also allowed them at that time):

I will assume that THT had a high priority to maintain benefits for their teachers and that, at a lower priority level, THT hoped that CCSD would allow a paycheck deduction. Thus, THT’s preferences would be

Level 4: THT doesn’t cut benefits while CCSD allows paycheck deductions.

Level 3: THT doesn’t cut benefits while CCSD does not allow paycheck deductions.

Level 2: THT cuts benefits while CCSD doesn’t allow paycheck deductions.

Level 1 (least desirable): THT cuts benefits while CCSD allows paycheck deductions.

These assumptions deserve some discussion, since Level 2 and Level 1 seem switched given THT’s secondary preference for paycheck deductions. This is because if THT decides to cuts benefits, I am assuming that it would be more desirable for them to do this is the face of CCSD intransigence (where they were ‘forced’ to do this) than in the face of a compromise by CCSD (CCSD allows paycheck deductions) where THT would have more difficulty justifying their action. So concerns such as these could affect a simple ranking by priorities. It should be noted that Level 3 and Level 2 have their respective rankings solely based upon THT’s preference not to cut benefits.

I will assume that CCSD had a high priority to not allow paycheck deductions and that, at a lower priority level, CCSD hoped that teachers would not have their benefits cut. I am assuming CCSD’s motivations for not allowing paycheck deductions is out of concern for the district’s best welfare given their tough situation for recruiting new teachers – they believe, perhaps, that allowing a succession of pay cuts to finance the THT would decrease teachers’ salaries thus making it even harder for them to recruit new teachers. Note that in this scenario CCSD would prefer that teachers keep their full health benefits; further cuts in teachers’ benefits could also work against their recruitment efforts – but this is at a lower priority level. Thus, CCSD’s preferences would be

Level 4: CCSD doesn’t allow paycheck deductions and THT doesn’t cut benefits.

Level 3: CCSD doesn’t allow paycheck deductions and THT cuts benefits.

Level 2: CCSD allows

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