



MEMORANDUM

To: Local School Districts and Union Leaders

From: Vermont Education Health Initiative

RE: ***VEHI Health Program Contribution Renewal for FY 15: 4.5%***

Date: December 10, 2013

In FY 15, the member contribution for VEHI's health insurance plans will rise by 4.5%. This is significantly below last year's increase of 10%. The Department of Financial Regulation (DFR) has approved this rate and, therefore, it is final.

Last year, VEHI was unable to deliver a definitive contribution renewal rate to school districts prior to FY 14 budgets being finalized. This was a consequence of a more intensive and extended rate review process at the state level. That process for us, while still rigorous, has been streamlined as a result of our new I-90-1 regulatory status. VEHI, for its part, began FY 15 rate renewal deliberations with Blue Cross Blue Shield of Vermont in July—nearly three months earlier than normal—to make sure the process would be completed by January 1, 2014. Additionally, because of VEHI's new regulatory status, the Green Mountain Care Board was not required this year to make a determination on our FY 15 rate renewal, nor will it do so in the future. Rate renewal decisions going forward will rest exclusively with DFR.

What explains the much lower rate renewal number filed for FY 15?

There are several factors at play. Most importantly, our claims trend is not increasing as significantly as it did last year. This is a welcome development, and reflects, in part, our continued investment in promoting wellness with individuals and in the workplace.

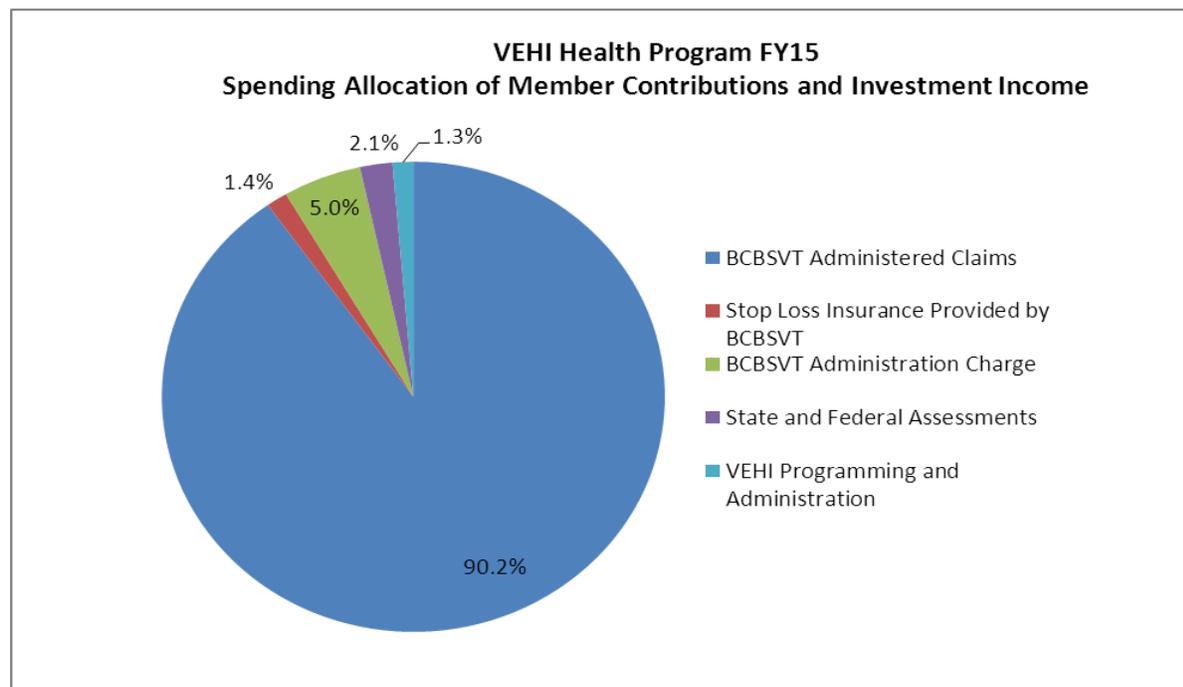
Second, the increase in what VEHI must pay in federal and state assessments will be less in FY 15 than it was in FY 14.

Finally, our membership has remained stable (we cover just over 43,000 lives) and the modest out-of-pocket cost increases VEHI instituted for FY 14 helped our bottom line.

VEHI's Reserves and the FY 15 Proposed Rate Renewal

Our approved rates for FY 15 are not intended to increase our reserves. Every dollar we raise will be devoted to our benefit programs, wellness services and ACA compliance services. VEHI's fiscal house is strong and in order, and with our new regulatory status, we are well positioned to keep serving you.

Below is a pie chart and other information that explain how monies collected by VEHI are allocated on behalf of its members:



VEHI Programming and Administration includes VEHI provided Wellness Programming, VEHI General Administrative costs and the VEHI Administered contract with Gallagher.

All expenses above are funded by member contributions and an estimated \$290,000 from investment income.

VEHI & ACA Compliance

Since 2010, VEHI has been serving as an unofficial “navigator” for schools in the health reform arena, and the duties related to that role are increasing as 2014 draws near. Until VEHI is compelled to change its mission in light of ongoing market reforms, we will do our best to honor your requests for assistance in being compliant with the ACA and making future budgetary and benefit decisions related to Vermont Health Connect, our state Exchange. This commitment requires new resources, financial, technical and legal.

As you know, VEHI recently entered into a partnership with a nationally recognized leader in healthcare analytics, **Gallagher Benefit Services, Inc.** With GBS at our side, VEHI will be able to provide schools of all sizes and their local unions with more timely and extensive compliance advice, and with specialized tools to calculate the potential cost and benefit effects of health care reform, including the impact of employer penalties in 2015 on “large” schools (those with 50 or more FTEs).

With Gallagher’s support, we have just released a revised FAQ on “grandfathered status” and the ACA that was first issued last January. You can find this document on the VEHI website at: http://www.vehi.org/media/doc/FAQ_Grandfathering_November_2013.pdf

We know these are challenging times in respect to health benefits and health care reform. So please contact your VEHI trust administrators, Laura Soares (laura@vsbit.org), Joe Zimmerman (joe@vsbit.org) or Mark Hage (mhage@vtnea.org), with questions or concerns about this memorandum or any of our programs.