



Comments from the Vermont Education Health Initiative
on the Administration's proposed payroll tax: Implications for schools

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VEHI is a non-profit membership organization, serving school districts by providing employee benefit plans responsive to the needs of both employers and employees. VEHI's health program serves nearly 43,000 covered lives, including the Vermont State Teachers' Retirement System.

VEHI contracts with the Vermont School Boards Insurance Trust [VSBIT] and the Vermont-NEA to administer its programs and services.

Background:

- VEHI's rates are set by the member-elected Board, subject to the approval of the Department of Financial Regulation [DFR].
- The approved rates are in effect from 7/1 through 6/30 to coincide with the fiscal year of schools.
- VEHI files rates with DFR in early September of each year for rates effective the following July 1st. This allows for final rates to be announced to members by January, prior to the finalization of school budgets for Town Meetings.
- In order to meet this timeframe VEHI utilizes actuarial projections in July of any given year for rates that will not go into effect for another 12 months and will remain in effect for a subsequent 12 months.
- At the time this analysis is underway, VEHI does not have final figures for year just ending, and there is another year just underway for which rates are already set but no claims data is available.

Challenge:

- This timing results in a significant lag time from when any change in claim costs- either positive or negative- can be incorporated into the rates school districts and their employees pay toward health coverage.
- If BCBSVT negotiates reduced reimbursements to applicable providers as a result of increased Medicaid payments from new payroll tax dollars, VEHI members should benefit from a slowing of medical trend increases.
- Any benefit, however, will not impact FY 16 rates, nor will this work be done prior to July 2015 to impact FY 17 rates. Therefore the earliest VEHI members would see a reduction in medical trend due to addressing the cost-shift through a payroll tax would be in the FY 18 year [July 1, 2017 through June 30, 2018]