

**Conceptual Framework:**  
**Bill to allow VEHI to serve School Districts, their employees and VSTRS**  
**in the area of health coverage outside of VHC**

**This bill would allow VEHI to continue to operate a health plan as an Intermunicipal Insurance Association (as it has since June of 2013), retaining its own plans and managing risk outside of the Vermont Health Connect for a period of seven to ten years from the point in time when new VEHI plans are offered. Authorization would be then subject to review and would sunset without legislative action to extend.**

*Note: All other states with municipal health pools have continued to allow these pools to operate since the passage of the ACA. Municipal health plans must comply with all aspects of the ACA, but there is nothing in the ACA that prohibits municipal pools.*

**Goals**

- (1) Reduce the burden on property taxpayers by offering school districts comprehensive but less costly health plans that are fully ACA compliant but not bound by the grandfathering provisions of the ACA, and by preserving the composition of VEHI's risk pool;
- (2) Reduce the employer costs of health care and therefore reduce school budgets;
- (3) Continue serving the Vermont State Teachers' Retirement System (VSTRS) within the larger pool of VEHI members, thus reducing costs for the state and retirees;
- (4) Ensure fair and affordable access to health benefit plans for employees and retirees.

**All parties benefit from slowing the growth of medical costs.** This is a critical priority for the state and the Green Mountain Care Board. VEHI, with our management-labor partnership representing all school employees and serving nearly 43,000 covered lives, is uniquely positioned to contribute to this effort through ongoing investment in wellness programs, increased engagement of school employees in their own health care choices, and by redesigning the health plans available to school employees.

VEHI recognizes the need to develop, in partnership with school boards, employees, local unions and VSTRS, health benefit plans that mirror those available to other Vermonters through Vermont Health Connect, avoid the federal "Cadillac" tax for a longer duration, and incorporate thoughtful consumerism of health care through value-based plan designs.

**Property taxpayers will benefit:**

1. Health plans will be less expensive and reflect current community and state norms;
2. Health plans will be fully ACA compliant;
3. Health plans will avoid the federal "Cadillac" tax for a longer period;
4. The costs of the program will be appropriately balanced between premium and out-of-pocket costs;
5. Value-based plan designs that more successfully engage employees in their health choices will assist in reducing medical trend, further slowing the growth in premiums.

**Employers will benefit:**

1. Lower cost, ACA compliant health plans reflecting community and state norms;
2. Employers and employees can determine premium cost-sharing through collective bargaining without the constraint of grandfathered limitations;
3. New plans with lower premiums will avoid triggering the federal "Cadillac" tax for a longer period of time;
4. The costs of the benefit plans will be appropriately balanced between premium and out-of-pocket costs;
5. Employers will retain the benefits of VEHI's investment in wellness;
6. Employers will retain the service and support they have come to rely on from VEHI, including ACA compliance guidance;

7. Health plans will be offered on a fiscal-year basis and rates will be finalized before school budgets are approved, thus removing any speculation or need to over-budget this cost.

**Active employees will benefit:**

1. Employees will retain a voice, largely through Vermont-NEA, in the plan design and rate-setting process;
2. Employees will have access to multiple health plans to ensure their personal needs are met;
3. VEHI will produce resources to actively engage employees more in their health care decisions:
  - a. In-person informational sessions, as well as materials, to assist employees in understanding the new health plans
  - b. Decision support tools to select the plan that best meets their needs
  - c. Increased integration of wellness in the design of the health plans
4. VEHI will design plans that can be integrated with health reimbursement arrangements, health savings accounts and flexible spending accounts to assist employees in managing out-of-pocket costs;
5. Employees retain access to VEHI extensive wellness programs.

**The Vermont State Teachers Retirement System will benefit:**

1. VSTRS has saved tens of millions of dollars in lower health benefit costs since joining VEHI. It is our largest member based on number of subscribers, and it needs a strong and well-balanced risk pool like VEHI to help contain costs;
2. If VEHI continues to function as proposed, it will work closely with VSTRS, Vermont-NEA, and other stakeholders to determine how best to serve VSTRS and what plan designs to offer the system going forward.

**Commitment of VEHI:**

1. Work in partnership with Vermont-NEA, VSBA and VEHI membership in the plan design process;
2. As of 7/1/17 [FY 18] offer an array of health plans that:
  - a. Are not subject to federal grandfathered provisions
  - b. Are fully ACA compliant and can be integrated with an array of medical saving accounts
  - c. Distance themselves further from the federal "Cadillac" tax
  - d. Are designed to promote cost-efficient use of health care services
  - e. Index future out-of-pocket costs to premium growth so that the plans retain the intended balance
  - f. Are competitive with Vermont Health Connect Plans
3. Provide a range of health plans to increase employee choice
4. Develop decision support tools to assist employees in selecting the appropriate health plan for their needs;
5. Develop member education materials and provide robust, in-person information sessions prior to the introduction of the new plans;
6. Provide education and support in the area of HRA, HSA and FSA plans to both employers and employees;
7. Provide research-based wellness programming and integrate wellness in plan design;
8. Support schools in compliance with the Affordable Care Act;
9. Provide program administration at the lowest possible cost;
10. In conjunction with DFR, set plan increases at the lowest responsible rate and;
11. Study the impact of plan design changes and the "Cadillac" tax on VSTRS, a current member of VEHI, and report back to DFR and the legislature.

**Performance Measures:**

1. Long-term avoidance of the federal "Cadillac" tax;
2. Maintain low administrative costs as benchmarked against administrative costs on VHC;
3. Retention of membership in the program;
4. The competitiveness of its premiums and OOP costs compared to VHC;
5. Track metrics to evaluate the impact of the investment in wellness on premiums and OOP costs.