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About VEHI

- The Vermont Education Health Initiative is a nonprofit member-owned trust providing school districts, their employees and retirees access to high quality and affordable health and dental plans.

- Because of the critical role we play in ensuring the financial stability and sustainability of the health and dental plans, VEHI is regulated by the Dept. of Financial Regulation as an intermunicipal insurance association. Members of the organization must be municipalities.

- Our membership includes school districts, supervisory unions and other education-related organizations (i.e. VSTRS, tech centers, independent schools, VPA, VSA and VSBIT).

- The Dept. of Financial Regulation ensures that VEHI maintains its financial integrity because VEHI bears the financial risk associated with ensuring it can cover health insurance claims of those enrolled in its health plans.

- The Dept. requires that VEHI have adequate financial reserves to pay health insurance claims.

- If VEHI were determined to be insolvent, the municipalities would be liable for any unpaid claims, and the health insurance claims of 42,000 Vermonters could be at risk.

- We have a five-member Board of Directors consisting of three representatives from local school boards or superintendents or business managers; one staff member or director of VT-NEA and one staff member or director of VSBA.

- It's important to understand that the board membership must reflect the fact that VEHI is a financial risk-bearing entity, and the municipalities, the local school districts, bear the ultimate financial risk. Therefore, they must have the prominent voice, and per the current law a majority voice, in any decision-making process.

Challenges in Administering Health Plans for School District Employees and Retirees Under the Current Model

1. Maintaining high quality and affordable health plans

- VEHI does not negotiate the premium share or out-of-pocket costs. These direct costs are currently bargained at the local level between school districts and local union leaders. This is not VEHI's role, and the premium share decision does not impact VEHI's risk. However, the employer share of out-of-pocket costs impacts VEHI's risk and future premium rates, and this has added increased complexity to VEHI's rate setting process.

- Because of the federal Affordable Care Act and state health care reform decisions, VEHI needed to move away from the so-called "Cadillac" plans that had been in place, with actuarial values of 95-97% for the vast majority of those plans.

    - VEHI transitioned to four new health plans in 2018 with actuarial values ranging from 75.5% - 89.5% and employees can select from any of the plans to meet their needs.

    - Approximately 90% of enrollees now have plans with an actuarial value of 81.6%. This is important, because lower actuarial value equals lower fixed premium, helping reduce both school budgets and allowing employees to keep more of their money.

- VEHI and Vermont Health Connect plans have nearly the same covered benefits. VEHI plans have lower medical out-of-pocket maximums.

- There are many health care reform initiatives at the state level to bend the cost curve on health care.

- Reducing the trend in health care costs is an issue far bigger that a subset of plans offered to a subset of the population (school employees and retirees).

- The mechanism for us to engage on the issue of affordability is in making the link between health care coverage and the cost to the employee.

2. Coordinating local decision-making processes with administration of the plans and appropriate rate setting

- Exemplified by the 2018 transition to new health plans and integration of HRA accounts with those new plans.
- The transition to the new VEHI health plans on January 1, 2018 went smoothly. Each of the more than 34,000 people had health coverage on January 1st, with their BCBSVT/VEHI ID card available to give to pharmacies or providers. BCBSVT/VEHI are processing and paying medical and pharmacy claims in a timely manner.
- While VEHI recommended local school boards and unions settle contracts early and allow adequate transition time to integrate HRAs, late contract settlements caused the delay in members having their HRA/FSA debit cards by January 1st.
- To ensure there was a vendor that could handle anticipated HRA volume starting 2018, VEHI announced in January 2016 that it had partnered with BCBSVT and a third-party vendor called HealthEquity (HEQ) to provide school districts and their employees with cost-effective resources and the support services needed to seamlessly integrate such accounts with their VEHI health plans.
- Most districts, however, chose to work with third-party vendor Future Planning Associates (FPA) to manage HRA accounts. It is reported by school boards, business officials and labor attorneys that FPA was selected at the urging of local VT-NEA negotiators.
- FPA has had great difficulty processing employer HRA funds and/or employee FSA funds towards an employee's out of pocket cost responsibilities.
- FPA's limited administrative capacity was further exacerbated due to the multitude of HRA design features negotiated at the local level that were beyond the administrative feasibility of any provider, as indicted by Health Equity in early 2016 and DataPath in recent weeks.
- FPA has since decided to withdraw as the administrator of the HRAs and HSAs. It is important to note that the challenges with the HSA/HRA process are separate from VEHI's administration of the health care plans themselves.

<u>Principles for Ongoing Administration of Health Plans for School District Employees and Retirees</u>

With respect to H.858, I would offer the Committee think about some key principles going forward:

Plan Administration

- Employers bear the risk through the statewide plan administrator, an intermunicpal association, regulated by DFR (VEHI).
- VEHI board membership must, therefore, reflect the fact that the municipalities bear the financial risk.
- Offer a limited number of plans that are actuarially sound and sustainable but provide employee choice to meet their various needs. Plan design should reflect a desire to achieve both cost savings for employers and employees through lower premiums, overall cost reduction and lowers claims expense.

Bargaining

- If considering one statewide entity representing employees, and employers (municipalities), for bargaining purposes, be aware:
  - VEHI is not impacted by premium share decisions.
  - VEHI **<u>is impacted</u>** by how out-of-pocket costs (OOP) are shared as this directly affects VEHI's claims risk and must be factored into premium rate setting.
  - Any entity that is bargaining over OOP cost should have an information session with VEHI and our actuaries to understand the potential impact of their decisions.

Employee and Employer Input

- Employers and employees should have a process through which to provide input into plans and benefit design.