

Testimony to the Senate Education Committee

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Good afternoon. My name is Mark Hage. I'm the Director of Benefit Programs at Vermont-NEA. I'm also a former high-school teacher of ten years.

My testimony today, which is on behalf of Vermont-NEA, will focus chiefly on the importance of representational equality in the make-up of the proposed Commission on Public School Employee Health Benefits.

I will chart briefly some of VEHI's long and unique history, and explain why that history shows there is no fundamental contradiction between governance equality between employer and labor representatives and the fiduciary responsibilities of an independent health benefits commission.

In other words, the best argument for governance equality for the proposed Commission is **VEHI's own history and impressive accomplishments for the first two decades of its existence when governance equality and consensus decision-making** were VEHI's foundational elements.

1993-2015: A Partnership of Equals

I am the second longest-serving, VEHI trust administrator, with nearly 17 years to my credit. For 14 of those years, I interacted with my counterparts at VSBIT in a work environment of equality, mutual respect and collaboration.

Joe Zimmerman at VSBIT and I were VEHI's lead administrators for most of my tenure. I considered him a friend as well as colleague, and I valued his opinion and his expertise in insurance matters.

Before VEHI become an intermunicipal insurance association, it made decisions **by consensus**; and we worked through problems and challenges by being diligent, attentive to detail, and exercising great care in all fiscal and program administration matters. And, also, by being candid with each other and committed to finding common ground when we were not in agreement.

I make a point never to sugarcoat consensus decision-making or equality of representation between diverse entities in an organization like VEHI, or anywhere else. It can be tough getting along at times, even when governance equality and consensus decision-making are well-established practices.

But Vermont-NEA and VSBIT were committed from the outset to building a strong relationship and preserving the balance of power between them, because the trust and confidence school boards and local unions placed in us had to find expression and yield tangible results first in VEHI's internal relations and service model.

VEHI's current mission statement opens this way:

"The Vermont Education Health Initiative (VEHI) is a non-profit organization that, for more than two decades, has served school districts by offering employee benefit plans responsive to the needs both of employers and of employees and their dependents."

The trust, by the way, began with a two-year "trial" or "honeymoon" period, as its founders described it to me, from 1993-95, so VSBIT and Vermont-NEA could see if they could actually work together effectively as equals.

Well, they discovered they could and, more to the point, that it was essential if they wanted to do what was best for school districts, local unions and school employees.

This is underscored in the 1996 bylaws, which read, in part:

"The corporation recognizes the importance of offering services in a variety of ways to meet the diverse needs of its consumers. In all matters, including the provision of services, it is not the corporation's intention to pursue organizational goals of unionized employees or management representatives, beyond those stated herein, nor to modify the procedures, policies or practices of local unions or school districts. Rather, it is the intention to design, develop and implement health benefits which best serve the needs of all its constituents."

VEHI was an inspiring, creative, open, and productive organization for most of my tenure.

I learned an awful lot during VEHI's labor-management partnership years, including this: when parties can't outvote or push each other around in a straight-up vote, and when they don't have the power to deny a second to a motion so it can be heard and fully engaged...they listen better, demonstrate more patience, consider and pursue compromise more readily, and work studiously to not alienate or offend each other; they have to "park" their egos and personal agendas as much as possible.

VEHI carried out its mission remarkably well for 20 years because **both parties** had an equal voice in formulating and directing its programs, an equal stake in its success, and an equal number of votes on its Board of Directors.

Ironically, those who praise VEHI today to block the creation of an independent health benefits commission with governance equality, seem to have forgotten that **VEHI's reputation for excellence and innovation was established in the decades when it was an equal partnership between management and labor.**

That is the VEHI that earned school districts' and school employees' respect, trust and admiration.

Let me be more specific. Because of the level playing field in governance, and an ethic of collaboration and trust, VEHI made great strides, together with BCBSVT, in program development and other areas of mutual concern:

- We developed new health benefit plans, with comprehensive coverage and medical networks and exceptional customer service from VEHI and BCBSVT;
- We built and administered popular and cost-effective dental and long-term disability programs;
- We helped pioneer an approach to managed care with a focus on members having a medical home and primary care doctor, and getting as much care as possible within that medical home and, if needed, within the broader Blues' provider networks with the guidance of a primary care doctor;
- We educated our members about the relationship between primary care, preventive care, and chronic care programs to stay healthy and to lower costs;
- We offered school districts cutting edge wellness programs;

- We instituted a three-tier formulary and step-therapy system for prescription medications;
- We did extensive outreach to employees about generic drugs and significantly increased the number of generic prescriptions filled over more expensive preferred and brand-name drugs. When my members know there is a generic substitute for a brand-name drug, **99%** of the time they fill the generic – that is the power of education – and we achieved this **before** the new high-deductible plans came into existence;
- VEHI incorporated the Vermont State Teachers’ Retirement System into VEHI in 1998, and VSTRS has been an integral part of VEHI ever since and our largest member;
- In 2013, VEHI facilitated in tandem with State Treasurer Pearce the introduction of a cost-saving drug program for thousands of Medicare-retirees.
- We established the practice of making ourselves available consistently to school employees, school boards, central office personnel, retirees, and trustees of VSTRS, and we addressed joint meetings of negotiation teams whenever asked;
- We navigated our schools and their employees through the early years of the implementation of the Affordable Care Act and its new mandates.

We also introduced VEHI’s first benefit plans with deductibles, including two with high deductibles, long before the January, 2018, transition.

Full disclosure: I did not want to offer high deductible plans many years back. That period, until recently, was the most stressful of my tenure with VEHI and it put a strain briefly on the partners’ relationship.

The logjam was broken, though, when I conceded the argument. I agreed with my VSBIT colleagues to design and offer the new plans for three reasons:

(1) my members would still have a choice between high deductible plans and those without high deductibles, and the parties could decide locally what they wanted to purchase from VEHI;

(2) one of the new high-deductible plans, the \$1,200 Comprehensive, retained a three-tier, copayment system for medications (thus preserving their affordability);

and, **most importantly,**

(3) I did not want to permanently rupture the relationship between VSBIT and school boards and Vermont-NEA and its union members. That was the decisive factor. VEHI had to be sustained, and that meant in this case the union compromising.

VEHI, when it was a partnership of equals, was one-of-a-kind in the country. My union colleagues from other states would call to ask how VEHI ran and cohered, how it got started, and what kept it humming.

One day, when Joe and I were speaking to a gentleman who asked us to explain VEHI's formula for collaboration and success, hoping to replicate it elsewhere in Vermont, Joe said, **"You know, the union and the school boards, well, we're in this together. That's the secret of our success."**

If VEHI was successful and innovative for so long as a partnership of equals, why does anyone doubt that an independent commission structured on the basis of equal representation between school employees and school boards would be equally successful and innovative?

Yes, it will take a little time for those on an independent health benefits commission to get their feet on the ground, to learn how to work with each other, trust each other. But they'll get there...just as Vermont-NEA and VSBIT did.

Governance Equality & Fiduciary Responsibility

Today, as you know, school districts command four votes on the VEHI Board and Vermont-NEA has one representative.

The argument put forth against governance equality between management and labor on the independent health benefits commission hinges in large part on the fact that public schools carry risk in VEHI and, thus, should be the dominant governance force.

This position baffles me, first, because it ignores or, worse, negates, twenty years of governance equality and exemplary fiduciary responsibility by the VEHI Board and its trust administrators.

Second, the founders of VEHI did not see a contradiction between VEHI's fiduciary responsibilities and a partnership of equals as reflected in the composition of its Board. School districts paid the lion's share of the premiums when VEHI was established, as they do today, and the union had an equal number of representatives on the Board and equal responsibilities in seeing to it that taxpayer dollars were wisely spent.

In the 14 years I worked at VEHI, when governance equality and consensus decision-making were the norms, each year, just like the last three, we poured over an in-depth, actuarial analysis, claims and utilization data, the costs of mandates, assessments, administration, and reinsurance, the impact of medical and pharmaceutical inflation on our projected premiums, the effectiveness and expenses of our wellness program, how much the trust needs in reserves and how best to sustain and use those reserves.

We collaborated each year with the Blue's actuaries and medical advisers, and we often hired an independent actuary for additional scrutiny of the numbers and guidance.

VEHI never operated in a vacuum or beyond the pale of accountability in those years.

As a partnership of equals, VEHI took great care with the trust's funds, setting premium rates, and designing plans, because 42,000 lives and every public school in Vermont depended on us. Those who served VEHI in the partnership years saw ourselves as stewards of public dollars.

It was not in interests of Vermont-NEA or school boards during VEHI's first 14 years, nor is it now, nor will it be in the future with an independent commission, for those charged with designing and administering health care benefits for school employees to perform at anything other than the highest levels of competence, innovation and fiscal responsibility.

Currently, VEHI not only runs its numbers through BCBSVT's very competent team of actuaries, but we are also subject to rigorous scrutiny by DFR's actuary. Last year, Laura Soares and I even hired an actuary from Willis Towers Watson for special actuarial consultation.

The wonderful thing about good numbers, especially when originating with or verified by smart people from different sources, is that they concentrate the mind on the mission of the organization and its future, not on the respective players.

Again, the words from the bylaws of the organization 22 years ago: “***...to design, develop and implement health benefits which best serve the needs of all its constituents.***”

Let me say, too, there are many unions and employers across the country in Taft-Hartley Plans. But what’s interesting is that the federal code that governs Taft-Hartley Plans stipulates that employees and employers **must be equally represented** on the Board of Trustees in the administration of the plans, and the funds allocated for health benefits must be managed by the trustees – labor and management alike– with prudence and with a commitment to serving equally the interests of management and labor. There are about 10 million participants nationally in Taft-Hartley Plans.

Looking ahead, there is absolutely no reason why an independent health benefits commission with governance equality, regulated appropriately and thoroughly, and availing itself of top-notch actuaries and advisors cannot function as effectively and responsibly as VEHI did in the years when it was a partnership of equals...and cannot break new ground in benefit design and help drive system reforms to lower costs and improve the quality of care.

I don’t know how this debate will end. But this is what I do know:

High-deductible health plans and perpetual cost shifting are not the answers to the skyrocketing prices of medical and pharmaceutical services, or to the affordability crisis and lack of equity in the health care system.

- Our national health care system is on a trajectory to consume 20% of this country’s gross domestic product in eight years or less, even with tens of millions of Americans uninsured and millions more who are formally insured but unable to afford their premiums and deductibles.
- The U.S. spent \$3.3 trillion on health care in 2016 – we are projected to spend \$5.5 trillion in 2026, nearly \$16,000 per person. Vermont alone spent \$5.7 billion in 2015.

- Waste in the American health care system – by that, I mean high prices, high administrative expenses, fraud and unnecessary treatments – eats up nearly 1/3rd of every health care dollar. More than a trillion dollars of waste at present annually, and growing.
- Most Americans get very little health care in any given year – and that has been true for 40 years according to federal data. Health care utilization is highly concentrated in a relatively small percentage of the population: 1% of VEHI subscribers in 2016, for example, accounted for 31% of our costs; 5% accounted for 53%. The bottom 50% of our covered lives, cost wise, accounted for just 4% of total expenditures.
- By far, most health care dollars nationally and by VEHI are spent treating people with chronic conditions – diabetes, heart disease, osteoporosis, cancer, high blood pressure and cholesterol, mental health conditions, trauma, etc. About 25% of children between the ages of 2 and 8 have a chronic condition, according to the Centers for Disease Control.

Knowing this, and knowing it for many years, we still persist in driving employers and working families into high deductible health plans under the pretense of making health care more affordable and competitive.

We keep telling workers to “shop” smarter for health care and order them to have “skin in the game.” And costs just keep soaring beyond the ability of employees and employers to afford them.

Let me put a human face on this last point for you.

Here are some stories that have come to me or my union colleagues from our members since the transition to VEHI’s high deductible health plans on January 1:

- *Prescriptions that used to cost a \$5 copay no[w] cost almost \$100! Because I didn't have my card, I had to leave the pharmacy empty handed because I couldn't afford it.*
- *I have a chronic medical condition that requires both daily preventative medication, as well as medication to treat acute episodes. The monthly expense for these medications is now over \$200 per month. We had to wait*

for these funds to accumulate in the HSA account. I have delayed refilling prescriptions and seeking medical care for financial reasons.

- *Today I had the opportunity [and] it was not a pleasure to pay \$1596 for a prescription.*
- *I take a...very expensive blood thinner. I cannot afford the hundreds of dollars it costs to pay for it. I am out. No more pills. ...The board wanted us to have "skin in the game". Now I understand what they were talking about. Soon to be depleted is my blood pressure and cholesterol medicine.*
- *I did not fill one of my prescriptions on Thursday January 11, 2017 after leaving my doctor's office. When I went to pick [up] two prescriptions I learned that I could only afford to pay for one. I was surprised to see that both medications were more than triple the price. ...Normally, I pay between \$5.00 & \$10.00 for both my prescriptions per month and never exceed \$20.00. This time I actually had to wait a few days to pick up the other prescription because I could not afford to buy it. The \$10.00 prescription was now \$103.00 dollars and I had to use out-of-pocket cash. My brother actually sent me money for Christmas through western union and that was the only way I could afford to pay for my prescription.*
- *Met some folks yesterday & we're wondering if Vt-NEA has any sort of loan system available to help out our badly strapped paras & medical costs?*
- *I have a chronic eye condition that requires restasis went to pick it up at pharmacy and my portion will be 507.00 a month can't afford it am going without*
- *I have had breast cancer twice. I see my surgeon for follow up appointments yearly. I feel that I am at a higher risk for other cancers and I find myself holding off from seeing my surgeon with other concerns that I have now. I am appalled at how this new plan makes me feel like I can't access my doctor as I have in the past.*
- *I want our co-pay plan back! The HSA card is a joke. The money available isn't enough from Jan. 1. I have been stressed about my children getting*

sports injuries and me not having money to cover costs. I have restricted their winter sports activities as I can't afford to take them to the doctors. Also my child needs regular allergy medication and shots. This plan is making us pa[y] more out of our pockets!

These are teachers and support staff who serve our children and can't afford their first-dollar out-of-pocket costs.

Respectfully, I do not intend to keep going to work every day and collecting these stories, then advising hard-working people as a matter of course how to go into debt so they can afford their prescriptions or get medical treatment, or how to hunt down an Rx discount program that may offer relief temporarily.

"Skin in the game" is a gambling expression – health care should never be reduced to a gambling proposition, because those who live from paycheck to paycheck, who are not wealthy, and who have chronic conditions and other health issues, will lose and suffer needlessly.

I support the establishment of an independent commission on health benefits for school employees, one based on a genuine partnership between employers and labor, because I believe it is essential to providing high-quality, affordable health benefits to school employees and school districts.

I also hope, if such a commission is established, that it be charged with empowering its staff and a subset of its members to establish a **health care reform council** to investigate, with expert guidance, new benefit designs and system reforms that evidence shows can control prices, reduce the volume of low-value health care, and make health care more patient-centric and affordable for all Vermonters.

And I would propose that the commission's reform council invite other public-sector unions and employers and members of the provider

community to join the conversation on how we can achieve a health care system that works for all of us. Thank you.