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## **Principles for Ongoing Administration of Health Plans for School District Employees and Retirees**

### **Plan Administration**

- Employers bear the risk through the statewide plan administrator, an intermunicipal association, regulated by DFR.
  - VEHI is that statewide association acting as a risk pool for the municipalities.
  - DFR regulation is a recognition that there are significant financial requirements attached to bearing this risk – and regulations around protecting districts' money.
  - Membership in VEHI is voluntary and more than 460 districts, independent schools, and the retired teachers, covering 42,000 Vermonters have opted to take advantage of the health and dental plans we offer.
- Under state law VEHI board membership must reflect the fact that the municipalities bear the ultimate financial risk.
  - If VEHI falls short of meeting education employees' health care claims it is the municipalities who must pick up the difference. The costs can swing \$3-8 million from year to year.
  - \$250 million in premiums flows in to and out of the pool, meaning that there is significant financial risk if the premium or plan designs are miscalculated
- VEHI offers 4 statewide plans that are actuarially sound and sustainable and provide employee choice to meet their various needs.
  - The actuarily-set premium, based on those plan designs, is not negotiable and we should guard against creating a system that allows that number to be part of bargaining.
  - What is appropriate for bargaining is the employer/employee premium share and out-of-pocket expenses.
- The Plan designs reflect a desire to achieve both cost savings for employers and employees through lower premiums and overall cost reduction in the system through lowers claims expense. The VEHI plans were designed to raise employer and employee awareness of the cost of medical and prescription services to encourage all parties to work together to reduce costs whenever possible

- VEHI's plans are separate and distinct from the HRA 'add-ons' negotiated in local bargaining that have caused so much trouble in recent months. The vendor chosen by 85% of the school districts, FPA, made promises that it has not been able to live up to. VEHI is helping to facilitate the solution to this challenge but is not a party to any of these local contracts.
- VEHI (jointly administered by VSBIT and VT-NEA) is an expert in administering insurance risk pools. Rely on our expertise and infrastructure already in place, regulated by DFR and a preen entity since 1996, and improve the overall process through changes in bargaining and increasing opportunities for employee and employer input.

## **Bargaining**

- In considering creation of one statewide entity for bargaining purposes that represents employees and employers (municipalities), keep in mind:
  - VEHI is not the bargaining entity, because it is not the employer (that's the school boards) and it should not be.
  - To reiterate, VEHI is the financial risk-bearing entity, and it should be separate from the bargaining entity.
  - A statewide bargaining entity would be helpful for VEHI and could make it easier to set stable premiums and administer the plans that VEHI offers.
  - VEHI is not impacted by premium share decisions.
  - VEHI **is impacted** 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.
  - The VSBA has a proposal around collective bargaining that you may want to consider.

## **Employee and Employer Input**

- VEHI is administered through VSBIT, an entity whose expertise is administering insurance risk pools. VSBIT is not an expert in the needs of member employers or their employees.
  - Having an employer/employee advisory committee would be an appropriate way to increase employee input.
  - This advisory committee could provide comments and input on the plan designs and offerings ahead of VEHI finalizing plans which would then be available for the bargaining entities to determine how to allocate costs.