



*America's Small Town Capital*

Mayor Anne Watson

William Fraser  
City Manager

City Council Members:

Dona Bate  
Conor Casey  
Lauren Hierl  
Glen Coburn Hutcheson  
Jack McCullough  
Daniel Richardson

Cameron Niedermayer  
Assistant City Manager

Jhasmine Lamb  
Assistant to the City Manager

## MEMORANDUM

**To:** Senate Finance Committee  
**From:** William Fraser, City Manager  
**Re:** S.216  
**Date:** February 20, 2020

I apologize that I am not able to testify in person about this issue. I was prepared to appear on February 20<sup>th</sup> but will be out of state on the rescheduled date of the 27<sup>th</sup>.

I write on behalf of the Montpelier City Council in favor of the proposed provision in S.216 to include municipal employers of any size to join the Vermont Health Exchange. Montpelier city officials asked that this bill be filed based on our recent experience with the health insurance market.

This past year, the City's health insurance premiums through BCBSVT increased by 25% or approximately \$330,000. As a result, we were unable to allocate funds to more necessary programs and projects. Even then, our proposed FY21 budget and tax increase is higher than it has been for many years.

The insurance cost increase, after two years of relatively stable costs, is entirely explainable. Montpelier as an employer falls into our own pool of insurance risk. We have approximately 110 health insurance eligible employees (and families). Any "loss" or payout needs to be absorbed among that small base. During 2018 and 2019 we, unfortunately, had four very major claims. We are happy that our employees and their families had the coverage they needed in these awful situations. The financial result, though, was that BCBSVT took a large loss on our small pool and adjusted rates to recoup their costs.

As we began to seek alternatives, it became very clear that any plan for our small pool

would be in the same or higher price range. There are very limited health insurance carriers in Vermont which makes obtaining competitive pricing very difficult.

Our conclusion was that the City needed to be in a much larger pool of insured population. Since the dissolution of the VLCT Health Trust (another story in and of itself), Montpelier – and I believe other large communities – have experienced wild instability in insurance costs.

The most attractive alternative for Montpelier is the State's Health Exchange. The difference is significant. Consider this year. Had we enrolled in the State's MVP Gold plan, our costs would have risen by only 6% or approximately \$80,000 – a reduction of \$250,000. Additionally, the difference in deductibles that the city covers would have netted another \$125,000 in savings. The city could, potentially, be paying \$375,000 less for insurance in 2020 than our current costs. As a total, that is \$45,000 LESS than paid in 2019. Montpelier would love to be using that \$375,000 to lower taxes and/or invest in infrastructure or programming.

Why didn't we move to the Exchange? Because we are prohibited from doing so. The statute caps eligible employers as those with 100 employees or less. Therefore Montpelier and, by my count, six other municipal governments (Burlington, Rutland, South Burlington, Brattleboro, Colchester and Essex) are left to find coverage within our own employee pools.

Municipal employers are primarily funded by the property tax. High property taxation has been a policy concern of the State government for some time. Here's a chance to offer a small number local governments the option of joining an existing state program which, as I understand, already serves most other municipalities in Vermont.

I am not an expert on health insurance or on the exchange. It seems, however, that there is no down side for the Exchange if this change is approved. It will add up to seven municipalities (+/- 1,000 employees) to the pool which is generally considered good insurance risk management. It will provide another tool for these larger Cities and Towns to use property taxes more effectively.

Thank you very much for considering my comments. Please vote to approve S.216. This is a straight forward common sense proposal which can make a big difference.