

MEMORANDUM

TO: Senate Education Committee

FROM: Joel D. Cook

DATE: January 9, 2020

SUBJECT: Update regarding reconstituted VEHI Board of Directors

Caveat. What I'm going to say here are my personal views on how Act 11 has changed how the VEHI Board functions, not an official statement from the Board. If at some point you would like a more "official" statement from the VEHI Board, I believe it would consider and develop one for you.

General conclusion: Your efforts regarding the composition of the VEHI Board component of Act 11 (2018) have, to date, been a success. Transforming the VEHI Board once again into a highly functioning entity is now the challenge for those of us serving on it. Whatever one might say about changing the bargaining of health benefits from local districts to a statewide commission, separating that bargaining from VEHI itself has also been beneficial to VEHI.

The most important change stems directly from your actions: school employees now, once again, have representation on the VEHI Board that is equal to that of school employers. Nothing less would have been adequate, and nothing more, as I understand it, was requested.

Righting the balance was a necessary precondition for making VEHI work well again. By "work well again," I mean at least this: the imbalance of interests had become intolerable to school employees, who presented a late-2016 petition to their organization (Vermont-NEA) to get the balance restored or get out of VEHI altogether.

Here are the headings for what follows:

- VEHI Mission Statement
- Background
- An Organizing Year: Achieving Equality
- Major Areas of Current Study



Mission Statement

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 of both employers and employees and their dependents. VEHI also provides health benefits to retired teachers and their dependents through the Vermont State Teachers' Retirement System.

Our work has three essential components:

1. Making available a range of employee benefit plans, in collaboration with major insurance carriers, that are cost effective, affordable and high-quality;
2. Designing and investing in school-based and post-employment wellness programs that give individuals and families the confidence, support and resources they need to lead healthy, productive lives; and
3. Keeping school districts, local unions, and the Vermont State Teachers' Retirement System informed about the health insurance market, health care reform initiatives and regulatory compliance obligations under federal and state law.

The VEHI Board acknowledges the value to school districts of a solid partnership between school boards and their employees' representatives by conducting this work in concert with both VSBIT and Vermont-NEA.

In conducting our work, we adhere to the following guidelines:

1. VEHI will only offer employee benefit programs and services that are valuable to members and can make a meaningful difference.
2. All information and education provided by VEHI will be accurate, timely and unbiased.
3. VEHI will maintain the fiscal integrity of the organization so it can meet its current and future obligations to members.
4. VEHI will provide factual and vetted information, as requested, and in a purely neutral and objective manner, to parties engaged in collective bargaining.

Adopted November 12, 2014

Reviewed November 27, 2017

Background

Personal:

- Represented Vermont-NEA on VEHI Board between 2000 and 2016 (stemming from role with Vermont-NEA)
- Agreed to appointment at request/invitation of Vermont-NEA following enactment of Act 11, as of October, 2018
- Became current Chair as of January, 2019 (see "An Organizing Year" on p. 4)

VEHI

- Originally. Created in mid-1990s as joint venture of the Vermont School Boards Insurance Trust and Vermont-NEA largely out of perceived inequitable distribution by the former of excess premium payments. The Board consisted of **4 representatives of VSBIT and 4 representatives of Vermont-NEA, until 2013.**
- The State steps in. In 2013, the State Administration determined there was no existing regulatory structure within which VEHI fit and required we find one. The only one available, without legislative action, was to reconstitute it as a membership organization of school districts – an "intermunicipal association" – whose members were school districts whose boards had to have majority representation on the VEHI board. The new "original" board consisted of **3 representatives, now of the School Boards Association and 2 representatives of Vermont-NEA.**
- The school boards go further. In 2016, the school boards, at VEHI's annual meeting, changed the relative numbers of the five-member board: **the school boards increased their representatives from 3 to 4 and decreased Vermont-NEA representatives from 2 to 1.**

The most graphic effect was to deny Vermont-NEA the capacity to obtain even a second to motions it wanted the Board at least to consider.

- Enter Act 11 (2018). The Legislature changed the Board in 2 central ways:
 - It restored a balance of interests: **4:1 became 3:3.**
 - It changed board seats from ones held by organization *representatives* to ones *appointed* by organizations. That is more than a cosmetic change. VEHI functioned well prior to 2013 with equal representation. It did not function well since then with unequal representation. Act 11 prescribes that each organization – VSBA and Vermont-NEA – appoint 3 individuals to the Board, It prevents either organization from appointing any of their employees to the Board. **Now, those appointed have a duty of loyalty to VEHI and not to either Vermont-NEA or the Vermont School Boards Association.**
- "Staff." Lastly, throughout its history, VEHI has not employed staff but has contracted with VSBIT and Vermont-NEA to provide staff services. The primary "public faces" are Laura Soares and Bobby-Jo Salls of VSBIT, and Mark Hage of Vermont-NEA.

An Organizing Year: Achieving Equality

While the VEHI provision of Act 11 took effect On October 1, 2018, the new VEHI Board didn't have a useful business meeting until December 20 of that year. At that meeting, we began to address several basic questions, a couple stemming from having 6 (an even number of) Board members:

How will we make decisions in the absence of consensus? Fairly ready agreement to mimic the mechanism Act 11 established for the bargaining commission: to take action, a majority of each group of appointees must agree. That is, action requires agreement by at least 2 of the 3 appointees each of the School Boards' Association and of Vermont-NEA.

How many Board members constitute a quorum? At least 2 of the 3 appointees each of the School Boards' Association and of Vermont-NEA.

How will we determine who chairs the Board? The appointees of each organization will elect one of their own to act as chair or vice chair. For 2019 and 2020, the person elected by Vermont-NEA appointees will serve as chair and the person elected by School Boards' Association appointees will serve as vice chair. Thereafter, the roles will be reversed annually.

How will we communicate to others? Generally, about positions adopted by the Board, the chair and vice chair together speak for the Board. Exceptions: staff or a delegated board member.

How will we choose a president and secretary? Currently, the chair serves as president and another director serves officially as secretary, but virtually all duties of the secretary are fulfilled by one of the staff (currently Laura Soares).

How shall we change bylaws to account for Act 11 – partnership equality? This became a boring administrative task to make sure the bylaws reflected the Board's new composition.

How shall we amend conflict of interest matters? This became, and remains, an unfinished and difficult process. We recently were able to agree to amend our policy to make it consistent with our governing bylaws, but with one exception, a vestige of the prior imbalance on the Board. Prior to Act 11, the Board adopted a policy provision prohibiting the then lone occupant of Vermont-NEA's "designated seat" from voting on VEHI's contract with Vermont-NEA. We have not been able to eliminate that provision, despite its continuing inconsistency with our governing bylaws and its inapplicability to Board members appointed by – no longer designated for – Vermont-NEA.

Major Areas of Current Study

VEHI's essential job is to maintain cost effective, affordable, and high-quality benefit plans for school employees and their dependents. It has done so every year for a quarter century and engages in ongoing efforts to enhance them. Toward that end, there are at least 3 major areas of current study:

Trying to rein in cost of prescriptions. Prescription medications, for VEHI patients as well as others, continue to be the fastest growing element of health care costs. VEHI continues looking for viable ways to contain those costs without compromising its members' access to affordable care. Two current efforts:

- VEHI is participating in a three-state study with Wisconsin and Michigan to see if creating a pharmacy benefit cooperative with approximately 300,000 public school employees and their dependents can reduce costs and bring greater accountability to prescription purchases;
- VEHI instituted formulary changes in collaboration with BCBSVT that went into effect this year and that promise significant savings.

Analyzing claims data to inform the next generation of health plans. In 2019, VEHI invited BCBSVT to take part in a special research project it initiated with health care analysts from Altarum, a non-profit, health care research and policy institute. The purpose of the study was to analyze claims data in detail and to explore ways to address unnecessary costs and improve quality outcomes, to raise awareness of high-value care, and to inform the next generation of health plan design. Our staff produced a detailed report on this initiative, and I expect the Board will revisit the purpose and findings of this project in 2020.

Considering "attribution" of VEHI patients to OneCare Vermont. Our Board is currently assessing whether to OK letting BCBSVT add to OneCare Vermont's effort some 19,000 VEHI patients. It has heard directly from OneCare Vermont, from BCBSVT, and Vermont Legal Aid's Office of the Health Care Advocate.