

House Committee on General, Housing and Military Affairs
February 2, 2021
For the Written Record on H.63 and H.81
Public School Expenditure on School Employee Health Benefits
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Chairperson Stevens and Members of the Committee:

I was asked by the VSBA and the Employer Commissioners to estimate the dollars that are spent by public school districts on health benefits for school employees. Given that the new employer-paid health benefits began on January 1, 2021, I estimated the employer spend on employee health benefits for calendar year 2021. I determined this expense to be **over \$227 million dollars**.

Please note that VEHI health premium rates are set on a fiscal year basis, yet Health Reimbursement Arrangement (HRA) spend is based on a calendar year. In order to estimate calendar year 2021 expenses, six months of FY 21 premium and six months of FY 22 premium must be taken into account, as well as calendar year HRA expenditures.

To determine my estimate, I started with the total **premium** VEHI expects to collect from Vermont school districts in 2021. In FY 21 (which runs from July 1, 2020 through June 30, 2021) that amount is \$240 million, and in FY 22 (which begins July 1, 2021 and runs through June 30, 2022) it is \$264 million. Six months of FY 21 premium and 6 months of FY 22 premium are paid in calendar year 2021. However, some of the premium VEHI collects is paid by private schools not subject to Act 11. In addition, we know that school employees share in the premium cost. I assumed the employer will pay 80% of the premium for all employees, even though the VT-NEA indicates employers are currently paying 82-84% of premium for non-licensed employees. Adjusting for all of these factors brings the public employer expense for VEHI premium to \$181 million in FY 21 and \$200 million in FY 22, **for an anticipated employer spend on premium of \$190.5 million in calendar year 2021**.

Employers are also responsible for providing **HRAs** for all school employees in calendar year 2021. VEHI covers an estimated 14,200 public school employees who are eligible for an HRA valued at \$2,100 or \$2,200 for single plans and \$4,200 or \$4,400 for all other tiers of coverage (2-person, parent child or family plans). Based on current enrollment patterns, and assuming that, in aggregate, 75% of the employer first-dollar HRA liability is paid on behalf of employees across the state, this amounts to an additional **\$37 million** employer dollars in 2021 to cover employees' out of pocket costs. This figure does not take into account that some of these employees have elected an HSA and therefore receive 100% of the \$2,100 or \$2,200 amount for single plans and \$4,200 or \$4,400 for all other tiers of coverage.

The \$190.5 million of premium and \$37 million of HRA spend brings the estimated employer expense on health benefits in 2021 to **\$227.5 million dollars**. This figure does not take into account the HRA administrative costs borne by the employer, which I estimate to be \$400,000, nor any amount the employer spends on cash-in-lieu payments to school employees not enrolled in VEHI health plans. Given this, I am confident the \$227.5 amount reasonably represents the employer expenditure on school employee health benefits in calendar year 2021.